

Investment Age

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Pall willingly puts rights plan to vote

By Marcia Parker

GLEN COVE, N.Y. — Shareholders of Pall Corp. will be among the first to vote on a shareholder rights plan voluntarily submitted to them by a major corporation.

But there are two catches. The rights plan shareholders will vote on Nov. 17 is not defined. And while the industrial and machinery equipment company vows to abide by the shareholder vote, it qualified that generous stand by saying management could vacate the agreement in the case of a hostile takeover threat.

Institutional investors — including the California Public Employees' Retirement System, the New York State & Local Retirement System, J. P. Morgan & Co. Inc. and Lincoln Capital Management Co. — own 52% of Pall's stock. Their views will be the deciding factor in the outcome. At least one consulting firm has recommended its institutional clients vote against the rights plan, although it praised the company for putting the plan to a shareholder vote.

"As far as we know this is the first time ever a U.S. company has submitted

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Pall Corp., which makes these pharmaceutical products, is one of the first major U.S. corporations to voluntarily submit a shareholder rights plan for a vote.



The Chicago Mercantile Exchange is a popular spot for index arbitrage, a practice defended by some as necessary to maintain liquidity and an integral part of the stock and futures markets.

Index arbitrage backed

A vital link between stocks and futures, investors say

By Trudy Ring

Some institutional investors, whose funds provide capital for stock index arbitrage, defend their use of the much-maligned strategy.

While critics complain stock index arbitrage creates market volatility and threatens the integrity of the market, these investors contend it creates an important link between stock and futures markets.

"Arbitrage has to take place when you have different markets," said Keith Tucker, vice president at E.I. du Pont de Nemours & Co., Wilmington, Del. "Someone is going to do it. I have no problem with arbitrage as a strategy in the equity market."

The \$13 billion du Pont pension fund has used arbitrage to a small extent in its indexed stock portfolio, which totals between \$1.5 billion and \$2 billion.

Thomas Hartlage, director

of benefit finance at BATUS Inc., Louisville, Ky., believes arbitrage adds liquidity, not just volatility, to the markets, and he likes to have the strat-

Overseas investors view furor with detachment — page 3

egy available. The \$1.1 billion BATUS pension fund does not do arbitrage in-house, but does not prohibit its managers from doing so.

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Cash execs go conservative

By Fred Williams

Corporate treasury departments are becoming more conservative in their cash management operations, a *Pensions & Investment Age* survey suggests.

In addition, the nature of cash management responsibilities seems to be changing.

Among the key findings of the survey:

• The rate of adoption of electronic funds transfer for receipt of payments from customers and for transmitting payments to vendors has peaked.

1989 Cash Management Survey

• The use of hedging techniques to protect against rising interest rates is declining.

• The use of compensating balances to pay for bank services also is declining.

• Problems in the banking industry haven't caused treasury officials to drop banks or reduce services, although nearly 40% of the respondents

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LATE NEWS

Exxon confirms it set up ESOP

NEW YORK — Still maintaining a veil of secrecy, Exxon Corp. confirmed it established a \$1 billion leveraged employee stock ownership plan in its latest quarterly 10-Q filing with the Securities and Exchange Commission.

The ESOP ranks as the one of the largest, equivalent in value to those set up by Bell Atlantic Corp., BellSouth Corp. and Procter & Gamble Co., each also of \$1 billion.

Exxon's ESOP owns more than 1.6% of the company's shares.

According to the filing, Exxon established the ESOP more than a year ago, in August 1988; only in the recently concluded third quarter, however, did the company sell the plan 16.3 million shares of preferred stock, valued at \$1 billion and convertible on a one-for-one basis with the common stock. The ESOP plan financed the purchase by borrowing \$1 billion in Exxon-guaranteed debt.

Exxon executives provided few details, perhaps because they are worried about being singled out by Congress for taking advantage of the tax benefits available for ESOPs in the wake of its Alaskan oil spill last March. It isn't clear if the ESOP would qualify for grandfathering of ESOP-related tax benefits as allowed in tax legislation pending before Congress.

An Exxon spokesman said the reason for the reticence was the company hasn't worked out the details of the ESOP.

U.K. panel OKs soft commissions

LONDON — Britain's Securities and Investment Board has decided to allow continued use of soft commissions by U.K. institutions, rejecting efforts to ban their use.

The SIB has proposed, however, curbing soft commissions in certain areas. It also is considering capping at 25% the amount of commissions an individual money manager could devote to such arrangements. The SIB's proposals would require that best execution be obtained for all transactions, regardless of whether soft commissions were involved.

The regulatory body also said soft commissions can be used to purchase investment-related information, data bases or software, and portfolio measurement services. Computer software and hardware costs will have to be allocated between investment- and non-investment-related purposes, the SIB said.

The SIB also said fund managers will have to document all such arrangements and provide adequate disclosure to customers.

As expected, the board decided to prohibit the use of soft commissions in net trades.

Changes made to adviser rosters

• DALLAS — The \$2.6 billion Annuity Board of the Southern Baptist Convention hired Certus Financial Corp., San Francisco, to oversee nearly \$1 billion of its guaranteed investment contract assets.

The hiring is one of the largest single GIC manager placements. The assets had been managed internally by the annuity board staff.

• WASHINGTON — Potomac Electric Power Co. hired two minority-owned investment management firms to manage fixed-income portfolios for the company's \$220 million defined benefit pension plan.

A Potomac Electric spokesman said NCM Capital Management Group Inc., Durham, N.C., will manage \$10 million and Reid McCoy Inc., Baltimore, \$5 million.

The spokesman said the hirings were based on performance and investment style, not the fact the two firms are minority-owned. He said the hirings were reallocations of assets and no existing managers were dropped.

Fund taps Searcy for vacant post

KANSAS CITY, Mo. — United Telecommunications Inc. hired William N. Searcy Jr. as pension trust officer for its \$1.085 billion pension fund, replacing Howard Harpster, who joined BP America Inc., Cleveland, as director-pension investments.

Mr. Searcy had been director-pension asset management for the \$4.5 billion fund at Monsanto Co., St. Louis, since 1986. Monsanto has not found a replacement yet.

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Scorecard questionnaires in the mail

Questionnaires are in the mail for *Pensions & Investment Age's* annual Scorecard report on investment managers' new business. In order to be included in the Feb. 5 report, money managers must return the questionnaires by Dec. 31. If you have any questions, please contact Christine Philip, directory coordinator, at (312) 649-5217.

New hope from high court

PBGC execs relieved over LTV review

By Joel Chernoff

WASHINGTON — The U.S. Supreme Court's decision to review whether the Pension Benefit Guaranty Corp. can restore three pension plans to LTV Steel Corp. gave agency officials renewed hope for their case.

"We are pleased the Supreme Court will review it," said PBGC Executive Director James B. Lockhart III. But, he added, "the bottom line will not not be written for several months."

Private attorneys, however, are viewing with great skepticism the PBGC's claim that other companies will follow LTV's approach if the Dallas-based company is successful in transferring its pension liabilities to the agency.

The PBGC "is creating a bogey monster that doesn't exist," said Peter Shinevar, a partner with the Washington law firm of Bredhoff & Kaiser, who represents the United Steelworkers of America.

If the PBGC loses the appeal to the Supreme Court, agency officials fear being stuck with some \$2.3 billion in unfunded liabilities from the LTV plans. Even after recoveries from parent-company The LTV Corp. are made, the agency still might be saddled with as much as \$1.5 billion in liabilities. Excluding LTV, the agency



LTV Steel's dispute with the PBGC over three terminated pension plans will be reviewed by the Supreme Court.

has a \$1.5 billion deficit.

At issue in the LTV case is the company's establishment of "follow-on" plans that made up for most benefits not guaranteed by the PBGC.

LTV filed to reorganize under Chapter 11 of the Federal Bankruptcy Code in July 1986, saying it no longer could afford its four plans. In the face of growing liabilities and potential "shutdown benefits" kicking in, the PBGC moved to terminate the plans in January 1987.

The follow-on plans were created as part of an agreement

with the steelworkers union and assured retirees of receiving between 90% and 100% of the benefits not covered by the PBGC.

In arguing in September 1987 that LTV should be forced to take back three of the plans, the PBGC said the supplemental plans were an abuse of the pension insurance system. Instead of continuing to fund its pension obligations, LTV in effect shifted the liabilities to the PBGC, the government said.

What's more, the PBGC argued LTV's finances had improved substantially, and the company

Continued on page 93

Arizona cuts discretion of 4 managers

By Curtis Vostl

PHOENIX, Ariz. — The \$7.6 billion Arizona State Retirement System has taken some discretion from its balanced managers and given its tactical asset allocation manager more discretion because the system hasn't been meeting its bogies.

The mandate to its balanced managers — that they maintain a 60% equity/40% fixed-income mix — came after studies done by and for the system showed managers, who previously had discretion to invest up to 60% in equities, were too conservative.

"We found that they tended to have an equity exposure anywhere from the mid-30s (30%) to the mid-50s," said Doug Lemon, the system's investment manager.

The four balanced managers, which together manage \$2.4 billion of the systems assets, are: INVESCO Capital Management, Atlanta; the Los Angeles office of The Boston Co. Institutional Investors Inc.; IDS Advisory Group Inc., Minneapolis; and J.P. Morgan Investment Management Inc., New York. They have been instructed to draw up plans for phasing in the frozen mix before the system's investment advisory committee meeting later this month.

"Basically, we made our balanced managers specialty

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S&P now evaluates realty fund quality

By Steve Hemmerick

NEW YORK — Standard & Poor's Corp. has begun the first public evaluation of open- and closed-end commingled real estate funds, a process that could mean the establishment of a powerful new arbiter in the lucrative real estate advisory business.

S&P's first evaluation — for the Western Properties Fund I, offered by AMB Institutional Realty Advisors Inc., San Francisco — was largely favorable. The fund will invest in smaller industrial and retail properties in the Western United States.

Another five or six evaluations are in the works through S&P's institutional real estate fund evaluation service, said Tom Fendrich, an S&P managing director. He did not name them.

The new service could prove popular with real estate money managers whose management staff and investment record receive a favorable evaluation. But the reaction of some managers, including those who have had to write down the value of their portfolios because of poor-performing properties in overbuilt markets, might be less than warm.

Still, S&P officials think their service will expand to the point that those real estate managers who don't pay S&P to have their funds evaluated will be conspicuous by their absence, as is the case in the bond market.

Fees for an evaluation vary depending on the extent of the evaluation needed, such as the amount of real estate a manager

already manages that must be evaluated. S&P officials would give no range of fees.

According to Mr. Fendrich, the evaluation will not compete with consultants. Consultants, he said, will be needed to advise clients on what kind of real estate fund they need for their particular portfolio.

One aspect of the evaluation Mr. Fendrich said is particularly helpful is its on-site physical inspection of properties previously acquired by the manager. Mr. Fendrich said much of the analysis now being done by institutional real estate consultants is of a "quantitative nature," an examination of investment styles with little property inspection.

But some consultants — such as The Townsend Group, Cleveland — have been touting their on-site inspections.

S&P is well known as a rating agency, particularly for bonds, which it has been rating since the early 1920s. But unlike bond ratings, institutional real estate funds won't receive traditional letter ratings. S&P officials said they'll only be evaluating, not rating, the real estate funds and their managers.

While Mr. Fendrich contended the difference is an important one, the opinions given in the first evaluation seemed very much like ratings, although no letter-type rating was attached to them.

Early in the evaluation process, said Mr. Fendrich, fund advisers will be able to discuss S&P's viewpoints of their fund and challenge any information they don't believe is correct. If differences

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OPINION

401(k) plans blur the lines

Defined contribution plans, in particular 401(k) plans, rapidly are becoming the favorite form of retirement plan.

This is in part because defined contribution plans offer flexibility to both employer and employee. For example, the employer can structure the defined contribution plan so no contribution is required unless certain conditions are met — such as the achievement of acceptable profit levels or employees making contributions. The employer can often unilaterally set the level of contribution, and can contribute in corporate stock to preserve cash.

The employee also often has the flexibility to decide whether to contribute, and under current rules has access to his or her account to meet family hardships. In addition, upon leaving a company, the employee gets to take his or her account balance in a lump sum.

Unfortunately defined contribution plans, especially 401(k) plans, are blurring the line between retirement plans and savings plans.

Companies, the pension community and especially Congress must decide whether 401(k) and other defined contribution plans are really retirement savings vehicles, or simply savings vehicles.

They must decide whether the goal of such plans should be to encourage saving for retirement, or simply to increase national savings. Either is a worthy goal now, when the national savings rate is so low.

But the two goals are not the same, and may even conflict. The danger is the flexibility provided to employees through defined contribution plans, especially 401(k) plans, may encourage short-term saving at the expense of retirement saving.

Employees may withdraw or borrow their accumulated balances to buy homes, or to put children through college,



and then have little left for their retirement. In effect, the tax-advantaged saving originally designed for retirement may replace other forms of saving that might have been undertaken for these purposes.

That may be acceptable public policy, but it is not a retirement income policy. And it may lead to increased demands on the Social Security system when current workers retire.

Congress should reconsider its bias toward defined contribution plans, and decide what is an appropriate retirement income policy for the nation.

ESOPs poor choice for sole plan

The employee stock ownership plan is a wonderful employee benefit device. When properly used it can give employees a sense of ownership of a company, and participation in the management of their financial destinies.

But ESOPs are not acceptable as the sole retirement vehicle, nor are they a suitable way to provide post-retirement health care benefits, and for the same reason — benefits are too closely tied to the fortunes of the sponsoring companies.

It is as post-retirement health care funding vehicles that ESOPs are now gaining attention.

A number of companies are considering using them to provide health care benefits for employees after retirement.

But ESOPs by themselves are poor vehicles for this purpose because there is no way of knowing the value of the shares the employees have accumulated through the ESOP until they retire.

While it's possible the value of the stock may far

exceed what employees need to buy post-retirement health coverage, it's equally possible the value of the stock will fall far short of what is needed, whether because the company performs poorly or because the employee retires during a bear market.

In effect, companies that replace a company-provided post-retirement health care plan with an ESOP are simply shifting the risk of the funding from themselves to the employees. The end result may be to leave unprotected some employees who thought they had coverage.

The ESOP could be an acceptable vehicle if the employer promised to make up the difference between the level of post-retirement health care the employee's ESOP account would purchase and a reasonable minimum level of coverage.

Employees anticipating post-retirement health care coverage then would not be left with a significant gap in that coverage if the company's stock underperformed, or if they retired in the middle of a bear market.

LETTERS TO THE EDITOR

Fiduciary Trust data

To the Editor: The Sept. 4 issue of *Pensions & Investment Age* included a listing of global custodians. Through some oversight, Fiduciary Trust Co. International was not included in the article. The following is the profile of Fiduciary.

Fiduciary Trust Co. International has \$6.8 billion in total global custody assets, with \$6.1

billion in U.S. tax-exempt global custody and \$700 million in U.S. taxable global custody.

Of the approximately \$45 billion in custody assets, just less than \$7 billion are non-U.S. assets held for institutions and individuals. Fiduciary uses a variety of subcustodians to enable it to service assets in 19 countries.

Catherine K. Janson
Vice president

Fiduciary Trust International
New York

Wrong figures given

To the Editor: It was recently brought to my attention that *Pensions & Investment Age*'s Sept. 4 Master Trust edition contained an erroneous response from our offices relative to the assets that we manage under our master trust and master custody

programs.

Please accept our apologies. The numbers in your publication reflect total assets, not merely master trust/master custody assets. The correct numbers are:

- Master trust holdings, \$5.125 billion; and
- Master custody holdings, \$12.8 billion.

J. Dan Davis
Citizens and Southern Trust
Atlanta, Ga.

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PROPERTY

Banks beginning to feel woes

NEW YORK — The depression in the commercial real estate industry is beginning to have a pronounced effect on banks outside the beleaguered Southwest and the worst is yet to strike the banking industry, two firms warn in separate reports.

In a report based on third quarter data, Oppenheimer & Co. Inc., New York, said non-performing assets rose at most of the major banks it surveys, with the increase driven by further deterioration in the real estate sector.

Standard & Poor's Corp., New York, also sounded an alarm about declining bank loan quality in the face of the downturn in the commercial real estate market. The rating agency said non-performing real estate loans continue

to climb, and reserve building could begin in earnest, followed by escalating charge-offs.

Cheryl Swaim, a banking industry analyst at Oppenheimer, expects real estate credit quality to continue to deteriorate and suggests investors consider commercial real estate exposure in making their investment decisions.

In the third quarter, Ms. Swaim wrote in a recent report, non-performing assets rose at most of the major banks she surveys, with the increase driven by further deterioration in the real estate sector. Oppenheimer estimates non-performing real estate assets account for two-thirds of total problem assets.

SunTrust has had the sharpest

increase in problem credits overall, which have risen 158% during the past six months and as of Sept. 30 stood at 2.4% of real estate loans. Bank of New England had a 96% increase, of which real estate represents 4.8%; Citicorp had an 81% increase, with 3.2% being real estate loans; Fleet/Norstar had a 74% hike, but still has a low 1.9% in real estate problems.

First Interstate Bancorp. has the highest non-performing real estate asset ratio at 16.5%, followed by Bank of Boston at 11.4% and Security Pacific at 6.7%, the Oppenheimer report said.

S&P expects more downgrades at the regional banks as further problems surface, the agency said in the most recent issue of Credit-Week.

"Looking ahead, S&P expects more problems from real estate lending . . . deterioration in bank loan quality in other areas that have experienced above-average growth but have not yet demonstrated any undue problems — the West and the Midwest," the rating agency said.

Banks in New England, Arizona and Tennessee have reported dramatic increases in non-performing real estate assets since the third quarter of 1988, leading to recent downgrades, S&P said.

Real estate markets in New England have deteriorated and S&P noted real estate-related loan losses during the past year have caused more than one bank and thrift to reduce or halt dividend payments to preserve capital.

Bank of New England Corp., an aggressive lender, has seen its non-performing real estate loans

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Effects

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grade and even some lower grade properties. He didn't name the interested parties.

In separate interviews, officials for Salomon Brothers Realty Corp. and Morgan Stanley Realty, both of New York, said they are examining methods whereby foreign and other investors could best invest in the savings and loan properties. They declined to be more specific.

One investment banker who declined to be identified said it's possible institutional investors will pick off the best properties from the savings and loan portfolios, and the properties might be packaged for easier institutional investment. He added, however, such investors are unlikely to show interest in the lower quality properties. If those properties don't sell, he said, the federal government will ask for more money to finish the savings and loan cleanup.

The scenario of the most unsalable properties being dumped back on the government and taxpayers is a real possibility, according to Rep. Richard Baker, R-La., a member of the Housing, Banking, Finance and Urban Affairs Committee and a real estate developer.

At the ULI meeting, Mr. Baker called for federal money to be set aside from interim management of properties so they could be improved and sold at higher prices later.

Mr. Seidman, however, said many properties have very low values and are difficult to maintain. The best place for them is in the private sector, he said.

During the news conference, Mr. Seidman first appeared to dispute the notion that institutional-grade property values won't be significantly harmed by the savings and loan crisis. He noted many of the properties for sale in the \$175 billion portfolio are top-grade ones.

J. McDonald Williams, managing director for the Trammell Crow Group, Dallas, however, disagreed. "I think what we have, and what we have had in American real estate for some years now, is a two-tier market. The investment-grade blue-chip properties (are) well-leased, well-managed and well-constructed. Those are at an all-time premium in terms of valuations and don't seem to be adversely impacted by these conditions."

"Then you have everything else, and in many cases there is no market for the very distressed or deep discounted market for those."

In response to Mr. Williams' statement, Mr. Seidman said, "But I would like to add that we already had that effect. I mean if you go to Dallas and look at some Class A properties today, rents went down because of a lot of high vacancy rates. But I agree with you we are not going to have any further effect in this inventory."

Harry D. Pierandri, senior executive vice president-asset and portfolio management and valuation at Equitable Real Estate Investment Management Inc., New York, agrees with Mr. Seidman.

In a separate interview, he said: "I contend the effects of the S&Ls have been felt already. In this way, the buildings are up, they're competing with us already and they're vacant. They're trying to lease space against."

Richard Kateley, president and chief executive officer of Real Estate Research Corp., Chicago, said rents in top-grade properties may still decline further "especially if the government tries to drag out the process of managing those properties."

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PROPERTY

Banks feeling woes

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increase steadily in the past few quarters, and losses are just beginning to be realized. Shawmut National Corp. and Fleet/Norstar have less exposure, but non-performing real estate assets are rising. Bank of Boston's very high 17% non-performing real estate loans to all related outstanding loans consists of exposure mostly to markets outside New England, especially Florida.

Among the major Arizona banks, non-performing real estate assets have jumped to 27.3% of commercial real estate loans at Valley National Bank of Arizona, 31% at First Interstate of Arizona, and 23% at Security Pacific of Arizona.

Real estate-related loan problems have risen at several Southeastern banks, including Barnett Banks and Southeast Banking Corp. in Florida and SunTrust banks in Tennessee. The rating agency said the problem hasn't reached the scale of troubles in New England, but several pockets are very weak.

Non-performing assets of some California banks also have begun to increase. Security Pacific National Bank's ratio of non-performing real estate assets to commercial real estate loans rose to 5.5% in the second quarter, and Wells Fargo Bank's rose to 6.3%.

Wells Fargo Bank's consoli-

dated non-performing real estate assets have risen to 7% of total loans partly because of Arizona exposure, although a majority of its problems are in Texas.

S&P expects further downgrades related to regional market problems.

Money center banks are the largest real estate lenders, but their exposures tend to represent smaller concentrations in their total loan portfolios. Although their non-performing real estate loans have begun to rise, their exposure is not expected to pose any significant problems.

Still, at Citicorp, non-performing real estate loans more than doubled during the past year, to 13% of total loans.

The non-performing loans were concentrated in the Southwest and Florida. Chase Manhattan Bank's domestic non-performing real estate assets jumped to 11.6% in the second quarter of 1989.

Chase and Citicorp both are experiencing problems in Arizona.

Chemical Banking Corp.'s real state exposure at its flagship New York bank is not posing problems, but its New Jersey bank is experiencing trouble. And Chemical's Texas Commerce Bank unit is saddled with extremely high levels of non-performing real estate loans, S&P said.

Banks' exposure to commercial real estate

	Rating	Real estate as % of loan portfolio	Non-performing real estate assets as % of commercial realty loans		
			1989 ¹	1988	1987
Bank of New England	A	30.5%	7.5%	3.4%	1.7%
Bankers Trust	AA+	17.7	11.6	5.7	3.9
Chase Manhattan Bank	A+	21.3	11.6	7.4	7.7
Chemical Bank	A	18.0	6.9	4.3	4.8
Citibank	AA+	30.3	10.1	6.6	4.1
Citizens & Southern Nat'l Bank	AA-	21.2	1.3	3.2	2.0
Connecticut Bank & Trust	A	28.3	2.6	1.3	1.4
Connecticut Nat'l Bank	A	23.5	6.7	4.1	2.9
Crestar Bank	A	18.9	1.6	0.9	0.8
Fidelity Bank	A-	17.3	9.7	13.3	6.3
First Fidelity Bank of New Jersey	A-	17.7	3.3	4.3	3.2
First Interstate Bank of Calif.	A	16.7	8.6	6.0	8.7
First Nat'l Bank of Boston	AA-	27.8	10.7	5.5	3.3
First Nat'l Bank of Chicago	AA-	17.3	5.8	3.6	5.3
First Union Nat'l Bank	AA-	19.3	3.5	1.3	2.9
Michigan Nat'l Bank	A-	37.8	2.5	1.1	1.7
NCNB Nat'l Bank of Florida	A	37.5	2.3	2.2	4.0
NCNB Nat'l Bank of North Carolina	A	28.6	2.2	1.8	2.3
NCNB Texas	A	18.8	5.5	2.3	NA
Philadelphia Nat'l Bank	AA-	15.8	0.7	0.6	0.4
Seattle First Nat'l Bank	BBB+	27.0	7.9	6.2	5.2
Security Pacific Nat'l Bank	AA	20.6	5.5	5.6	4.7
Southeast Bank	A-	26.2	4.0	2.3	4.2
Sovran Bank	A+	18.9	1.3	1.4	0.6
Texas Commerce Bank	A	21.5	43.8	30.1	23.3
Union Bank	AA-	22.3	7.4	6.4	7.0
Valley Nat'l Bank of Arizona	BB-	23.7	27.3	18.8	9.4
Wachovia Bank & Trust	AA+	17.4	0.8	0.3	0.3
Wells Fargo Bank	AA-	26.5	6.3	2.9	1.8

¹ Through second quarter
* as of March 31
NA not applicable
Source: Standard & Poor's Corp., New York

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FOREIGN EXCHANGE

Hedging earns a new respect

International thrust makes strategy vital

By Curtis Vosti

In the past few years, whether to hedge foreign currencies has become a frequently contemplated question for pension fund sponsors with international investments.

Basic currency hedging is the practice of lowering the risk that a foreign currency would devalue in relation to the dollar and result in a real foreign exchange loss for the stocks held from the country with that currency.

Hedging can be accomplished through the use of forward contracts, futures or options, but forward contracts are used predominantly, according to Barry Gillman, chief executive officer of PCM International Inc., Newark, N.J. Forward contracts purchased through foreign exchange banks

lock in an exchange rate for a specified period of time.

Mr. Gillman said PCM, and most managers, use forwards because they offer more flexibility in time periods and amounts than do futures.

Anne Melissa Dowling, senior vice president in charge of international investing at Travelers Investment Management Co., Hartford, Conn., said the firm, which mostly uses forwards, is expanding its use of options in tandem with the forward contracts for the possibility of increasing yields.

While hedging was virtually non-existent until fixed exchange rates were eliminated in the early 1970s, interest in currency hedging has picked up recently as the dollar has vacillated from its strength of the mid-1980s.

"Currency hedging has become an asset class in itself," said Ms. Dowling.

According to Paul Burik, an associate at Ennis, Knupp & Associates, Chicago, the exchange rates amplify the volatility of an international portfolio, but do not increase the expected returns. His research has shown that between



Barry Gillman says forward contracts offer more flexibility in hedging.

1979 and 1988, unhedged foreign stock returns had a standard deviation of 19.7%, while local currency stock returns had a standard deviation of only 14.9% and hedged returns had a standard deviation of 15.9%.

"This currency return volatility

has been large whether the dollar has been weak or strong," he said.

This year, pension sponsors and investment managers have been besieged with reports on the subject. In the past few months, Goldman, Sachs & Co.; Paine-Webber Group Inc.; Salomon Brothers Inc.; and Ennis, Knupp are among those firms devoting publications to the topic, and pension funds and investment managers are taking note.

"Most of the current literature tells us that when you are fully hedged you get slightly lower returns and significantly lower risk," said Richard Gibson, investment director of the Wisconsin State Investment Board, which hedges its \$100 million in internally managed international fixed income and a large part of its \$280 million externally managed international fixed income.

"What that tells us is that for very little reduction in return, you reduce risk considerably," Mr. Gibson said. As a result, Wisconsin's fixed-income investments are "mostly hedged, most of the time," he said.

The costs associated with hedg-

Volume by type of trade (\$ millions)

	1989	1988
Spots	\$4,092	\$1,767
Forwards	2,950	1,630
Foreign currency options	1,227	517

Source: Greenwich Associates, Greenwich, Conn.

Companies trading outside home market

	Use Tokyo	Use N.Y.	Use London
British	4%	18%	NA
Canadian	16	22	17
Japanese	NA	38	27
U.S.	13	NA	32
West German	*	5	6

*Less than 1%

Source: Greenwich Associates, Greenwich, Conn.

ing — the high foreign transactions costs added to the liquidity problems of some foreign markets — are such that some in the industry say it's not always the answer.

That is more true when it comes to hedging equities than fixed income, as about 80% of fixed-income returns come from currency, according to TIMCO's Ms. Dowling.

However, PCM's Mr. Gillman says he thinks hedging transaction costs are "very overrated" and are "minuscule" compared

Continued on page 32

Questions surround 1992

U.S. must prepare for economic unification of Europe

By James L. Borden

To many North Americans, the subject of 1992 is an enigma. Given the historical experience of interstate commerce in both the United States and Canada, there is little doubt the concept of a unified Europe is sound. The question is whether it is reasonable to assume a task of this magnitude can be accomplished by consensus and, if so, within the agreed target.

In foreign exchange terms, if most North Americans were asked to deal on this enigma they would quote, but offer a delivery option. Recognize the event, but price it to 1999 if delivery takes place earlier — "no problem."

Given this attitude and current lack of clarity as to the final framework for the unified market, North Americans are only beginning to factor 1992 into their planning process.

Referring to the example of a delivery option, there may be a "problem" for North America if the Single European Act is delivered on time. North American industries might not be ready for the European challenge.

In order to examine the expected interregional relationship in the financial services industry and particularly foreign exchange, one must make a few assumptions about the financial environment into which a Single European Act will be delivered.

• The enigma of three conflicting factors — individual country self-determination, economic disequilibrium and the stated goals of 1992 — can only be managed through progressive currency adjustments. The ultimate objective of the Delors Committee, to establish a single currency and a European Central Bank, cannot be accomplished in the foreseeable future.

able future.

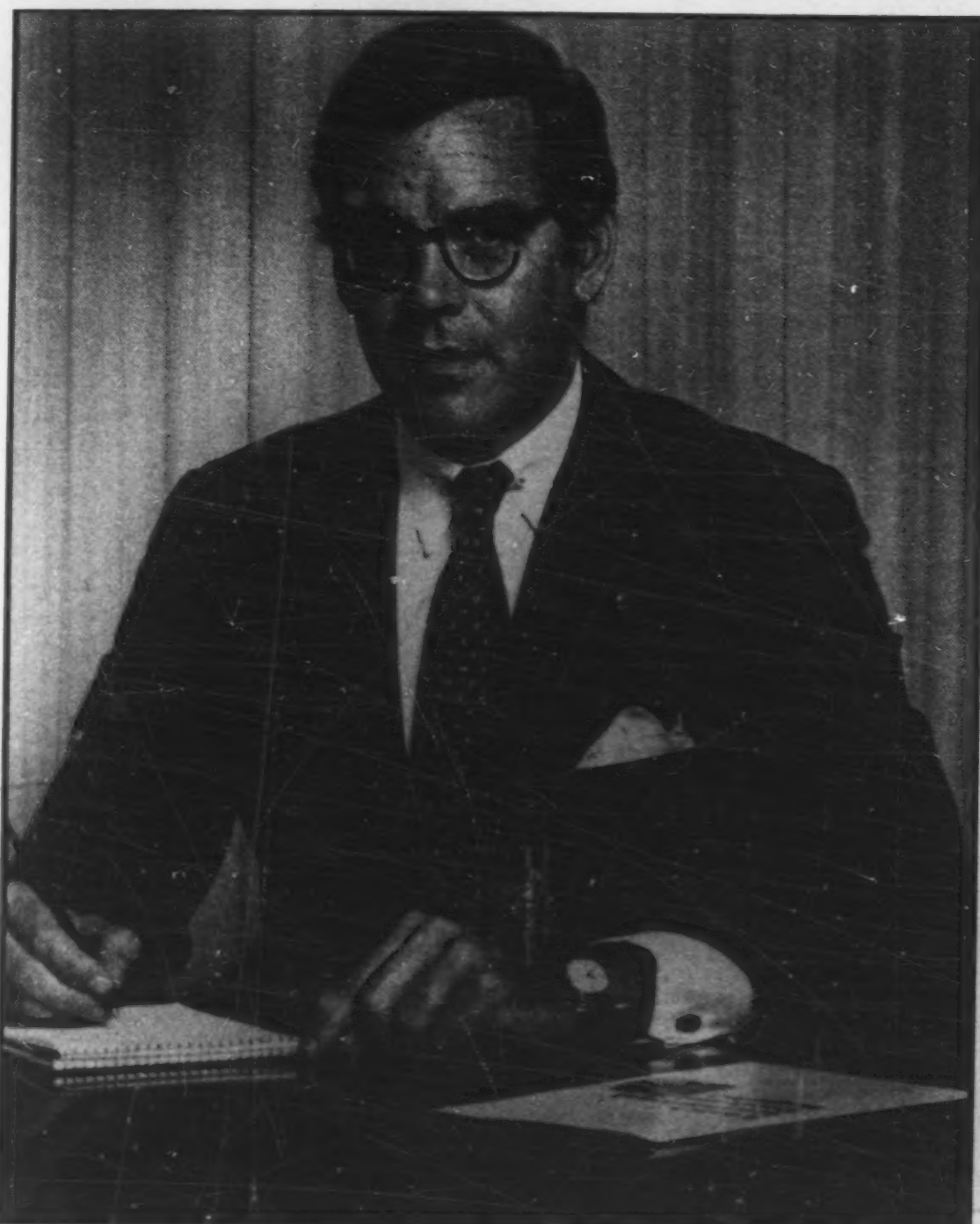
• The United Kingdom cannot afford to be left out of the evolving trading block and will have to demonstrate its resolve by joining the currency union.

• While London will remain the dominant financial market place, Frankfurt, Paris and Amsterdam

will continue to evolve in importance.

• The European Community recent move to defuse the potential protectionist elements inherent in a reciprocity test for non-EC entrants to the new unified market will be successful.

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James L. Borden, a senior vice president of Chase Manhattan Corp., said European unification most likely will diminish further the role of the U.S. dollar.

Option strategies take on new role in global business

By Hillary Durgin

As corporations become more sophisticated in their efforts to combat dollar volatility, they are increasing the use of currency option strategies to protect their foreign earnings.

"Currency options are really growing much faster than anything else," said David G. Bullock, a principal at Greenwich Associates, the Greenwich, Conn., consulting firm.

A currency option offers the buyer the opportunity to purchase a specific currency, such as U.S. dollars, at a certain rate during a specified period. The buyer, however, is not obligated to purchase the currency. The arrangement is similar to an insurance policy in that the purchaser pays a premium in order to get protection against potential risk.

If the dollar goes up, the company could buy dollars at the negotiated rate (but the cost of the option). Alternatively, if the dollar weakens, the company could buy at the lower price and possibly recover the cost of the option premium.

The use of currency options is growing rapidly. In 1988, the average U.S. company's annual foreign exchange trading volume, including spot, forward and currency options trading, totaled to \$6.892 billion, up 10% from \$3.34 billion last year, according to Greenwich Associates.

As a study of the foreign exchange practices of large U.S. corporations, the report notes that a buyer can make the contract internally or use a third party, such as an exchange, for a transaction. Alternatively, two parties can enter into a swap, which is a series of exchange, but a buyer can also use an option, obligating the purchaser to take delivery of the currency.

tions in order to increase profits, Mr. Catona said. Foreign operations account for 25% of Air Products' \$2.6 billion in annual sales, Mr. Catona said.

The globalization of business in the 1980s and the growth of volume and size of transactions conducted between markets has spawned a growing corporate interest in the flexibility options provide, corporate and investment professionals say. While companies don't always exercise their options, strategies that employ them can cushion a company's exposure to risk and potentially reap substantial profits.

The increased use of currency options is part of the burgeoning growth of foreign exchange trading overall. In 1988, the average U.S. company's annual foreign exchange trading volume, including spot, forward and currency options trading, totaled to \$6.892 billion, up 10% from \$3.34 billion last year, according to Greenwich Associates.

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Of the three principal foreign exchange strategies, cur-

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Foreign exchange trading takes off

By Leonard J. Hollie

The overall foreign exchange trading volume of U.S. corporations is burgeoning, with the average U.S. company's annual foreign exchange trading activities up more than 100% from last year — the second consecutive year foreign exchange trading volume has boomed.

Some analysts attribute the substantial rise in foreign exchange trading by U.S. industrial corporations to an increase in exports, and an effort to increase profits rather than to protect them. These corporations have to be more sensitive to the impact global currency swings have on their earnings.

Leslie Nanberg, vice president of Massachusetts Financial Services, Boston, said any U.S. corporation that has subsidiaries throughout the world would have to do business in the local currency. "When that currency is repatriated into U.S. dollars, those earnings could be greatly affected by the kinds of options or hedging that is used," he said.

For 1989, the average domestic company's annual foreign exchange trading volume, including spot, forward and currency option trading was \$6.892 billion, a 106% increase from last year's \$3.34 billion, according to data from Greenwich Associates, Greenwich, Conn., in its latest study of the foreign exchange practices of large corporations.

In 1988, the foreign trade volume was 60% higher than the average trading volume for 1987, the study shows.

"The volumes are up because corporations are more speculative and are involved in more trade-related activities in the international market activities," said David Bullock, a Greenwich Associates partner in an interview from London. "These companies are more actively managing their positions," he said.

Mr. Bullock, and Greenwich Vice President John Canaday compiled the foreign exchange study, which is part of the Greenwich Report "The Cauldron Bubbles: Large Corporate Finance 1989."

Mr. Nanberg said he also sees tremendous growth in foreign exchange currency trading and thinks the growth is an attempt to gain control of the kinds of risk corporations are taking. "It's also an attempt to control a component of a corporation's earnings that is not specifically related to their own business," he said.

The biggest companies, those with \$5 billion and more of trading volume, have the greatest demand for foreign currency options, Mr. Bullock said. Thirty-six percent of those companies now use foreign currency options, up from 29% in 1988.

The industry most likely to use foreign currency options is commodities, with 34% using them now compared with 24% one year ago. Also, 24% of finance and insurance companies now use foreign currency options, up from

20% in 1988.

Wholesale and retail trade companies are the least likely to use foreign exchange currency trading, the report shows.

When trading currency, U.S. corporations' currency of choice is the British pound, favored by 84%; Canadian dollars, 83%; deutsche marks, 81%; and the yen, 79%.

Corporations use various strategies, such as hedging and forward options, so they will know when to repatriate their currency and how much that currency will earn when traded. Those specialized foreign ex-

change strategies most in demand by corporations for 1989 include currency swaps of seven days or less, which is preferred by 30% of large corporations. Last year, 24% preferred this option. Thirty-two percent prefer cross-currency trading, up from 30%, and 18% prefer interest rate options, caps, collars or futures, up from 13% a year ago. Thirty percent of corporations now use interest rate swaps, compared with 28% last year.

"Another interesting strategy is option arbitrage puts of foreign currency interest rate swaps and

bond issues," said Mr. Bullock. "This allows the borrower to repay the loan in his elected currency."

This year, more corporate treasury managers, 16%, are trading foreign exchange more actively for profit, up from 10% last year. The typical U.S. company manages 59% of its currency exposure by trading in foreign exchange markets, according to the Greenwich report. Trading is used to manage four times as much exposure as netting payables and receivables, the next most used technique.



David Bullock said companies are involved in more trade-related activities.

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FOREIGN EXCHANGE

Europe

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In the foreign exchange business, the prospect of 1992 brings both good news and bad news.

The good news is that interregional capital flows are likely to increase dramatically as '92, or more precisely as Jan. 1, 1993, approaches and that intraregional currency volatility, within the Common Market, also will increase. This volatility is likely to last through the remainder of the century.

The bad news is that the primary impact of 1992 on the currency markets will be to further diminish the relative role of the U.S. dollar and, while it is un-

likely to occur in this century, the events of '92 ultimately will necessitate adaptation of a single European currency. That action will reduce trading and positioning opportunities as they now exist, unless deregulation in Asia and movement toward free markets and convertibility in Eastern Europe provide some offset.

Let's briefly examine the good news first: capital flows and volatility — it sounds like nothing less than foreign exchange paradise.

In many ways it will be, and the vision is extremely attractive after the generally flat trading conditions of the first quarter of this year. We already are seeing significant evidence of interregional capital investment.

Non-EC entities are position-

ing themselves to participate in the integrated market. The best example of the trend is the recent Japanese investments in Toyota UK and Nissan UK. The announced objective is to raise the combined output of the plants to 450,000 units per year by the end of the decade, second only to British Ford in the U.K. market.

After Jan. 1, 1993, the emphasis on capital flows will be intraregional as unit trusts, insurance companies and other financial institutions are able to freely gather investible funds across national borders, and as more companies tap evolving sources of capital outside of their traditional domestic markets. Most of this activity will increase foreign exchange business.

Returning to the prospect of currency volatility, one can anticipate additional shifts of capital within the EC because of the lack of harmonization in reporting requirements, taxes and labor practices, among other things. While Home Rule will apply to regulations across the new market, these regulations vary greatly among the member countries.

In foreign exchange terms, the lack of harmonization will create geographic investment arbitrage opportunities. Cross-currency foreign exchange business will continue to grow dramatically.

Turning to the bad news from the North American point of view, the welcome prospect of the buildup in intra-EC volatility is dampened by the accompanying increase

in central bank intervention. The intervention primarily will be conducted against the Common Market's strongest currency — the deutsche mark — and reserves will be built up in that currency.

The accumulation of reserves in deutsche marks is likely to increase pressure for deutsche mark pricing of commodities such as oil. As the regional European financial market develops in size, capitalization and liquidity, major exporters to it are likely to respond favorably to a change in pricing for EC business because of their own need for diversification.

This prospect could further increase direct non-dollar cross currency business and diminish the overall role of the dollar.

The second major element of bad news is the eventual prospect of a single currency. From a foreign exchange business viewpoint, it is difficult to envisage a trading environment without the British pound-deutsche mark cross. I think we can safely say the primary factor in the first quarter's 25% to 40% decline in reported foreign exchange revenue from the similar period in '88 can be attributed to lower volatility in that particular cross.

The ultimate success of a barrier-free Europe, however, probably will depend on the resolve of the members to adopt a single currency. The problems of self-determination, fiscal and monetary management are likely to delay this move for many years.

In summary, while 1992 is in many ways an enigma, its approach and ultimate implementation will create significant inter- and intraregional opportunities and risks. In order to take advantage of the opportunities, North America still has considerable work to do.

Many institutions are well prepared and are only waiting for further resolution of the complex issues being addressed by the Common Market itself, but the majority need to position themselves for what is generally recognized as the most dynamic development in the history of international markets.

North America has prospered in its relatively free competitive environment and it therefore applauds the removal of barriers within the Common Market.

The primary risk is the emergence of protectionism during the difficult, potentially volatile period leading up to and implementation of the Single European Act. For the foreign exchange markets, there is both good news and bad. Because the good news of capital flows and volatility is likely to come first, we will take it. Longer term forecasts have a very low credibility rating among foreign exchange professionals.

The structural issue with more immediate impact than a reduction in the role of the dollar or a single Common Market currency, is how the North American market can keep pace with the growth among the other regional markets.

Results of a recent Central Bank survey do not indicate a significant erosion in North America's relative position from 1986 in world foreign exchange dealing. New York volume increased to \$129 billion per day from \$58 billion in 1986, while London increased to \$187 billion from \$90 billion and Tokyo to \$115 billion from \$48 billion.

New York, however, has lost some of its depth, particularly in the afternoon. With the approach of 1992, foreign exchange activity will be further concentrated in Europe's trading day. North America might have to move up its trading hours to capture more overlap time with what clearly is and will remain the dominant foreign exchange trading market — Europe.

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Option strategies

Continued from page 27

currency options that guarantee a forward exchange rate have enjoyed the highest growth rate, Mr. Bullock said.

While currency options only represent about 5% of the total average foreign exchange activity, the average amount of currency options traded by U.S. companies in 1989 climbed to \$1.227 billion, up 137% from \$517 million last year and \$215 million in 1987.

Average trades in the spot market grew to \$4.1 billion, up 132% from \$1.76 billion in 1988. The average volume of forwards traded in 1989 grew to \$2.95 billion, up 81% from \$1.63 billion a year ago.

Mr. Bullock said currency options have seen marked growth because of three factors: more

corporations are writing their own currency options; there are longer dated currency options available; and more currency options outside the major currencies like the yen and the Canadian dollar are being used.

Overall, he said, corporations are beginning to understand currency options are not synonymous with speculative risk. Companies are coming to terms with the idea that the premium guarantees a certain measure of protection, he said.

Professionals in the financial services industry also say corporations are beginning to understand the benefits of currency options.

"If their object is to protect their dollars, then an option is perfect for them," said John Lynam, a vice president at Security Pacific National Bank, Los Angeles. More companies are willing to pay the premium to protect their earnings against risk, especially with the added incentive of making a profit, Mr. Lynam said.

Air Products began using options in 1985 as a way to reduce the potential risk associated with a contract pending in Europe. The dollar was particularly strong at the time, and Air Products wanted to take advantage of the favorable exchange rate with the deutsche mark, but it didn't want to be locked into purchasing the currency if the transaction fell through.

"In order to lock into attractive levels (of exchange) without taking on undue risk, we employed options," Mr. Catona said. The company decided not to use a forward contract because it would have been required to purchase the currency even if the business deal fell through.

"If we knew for certain that we would need the marks and the project was going ahead, we probably would have bought forwards," Mr. Catona said.

A spokesman for a major U.S. foods company who asked not to be named also uses options to reduce risk. The company produces foodstuffs abroad, with costs fixed in U.S. dollars, and sells its products in Europe and Japan. Options are a way for the company to hedge its exposures at what it considers to be attractive dollar levels.

Options also allow the company to underprice its competitors, the spokesman said. Because their competitors don't hedge, the food company takes advantage of the dollar's strength and uses it to underprice its competitors to capitalize on market share.

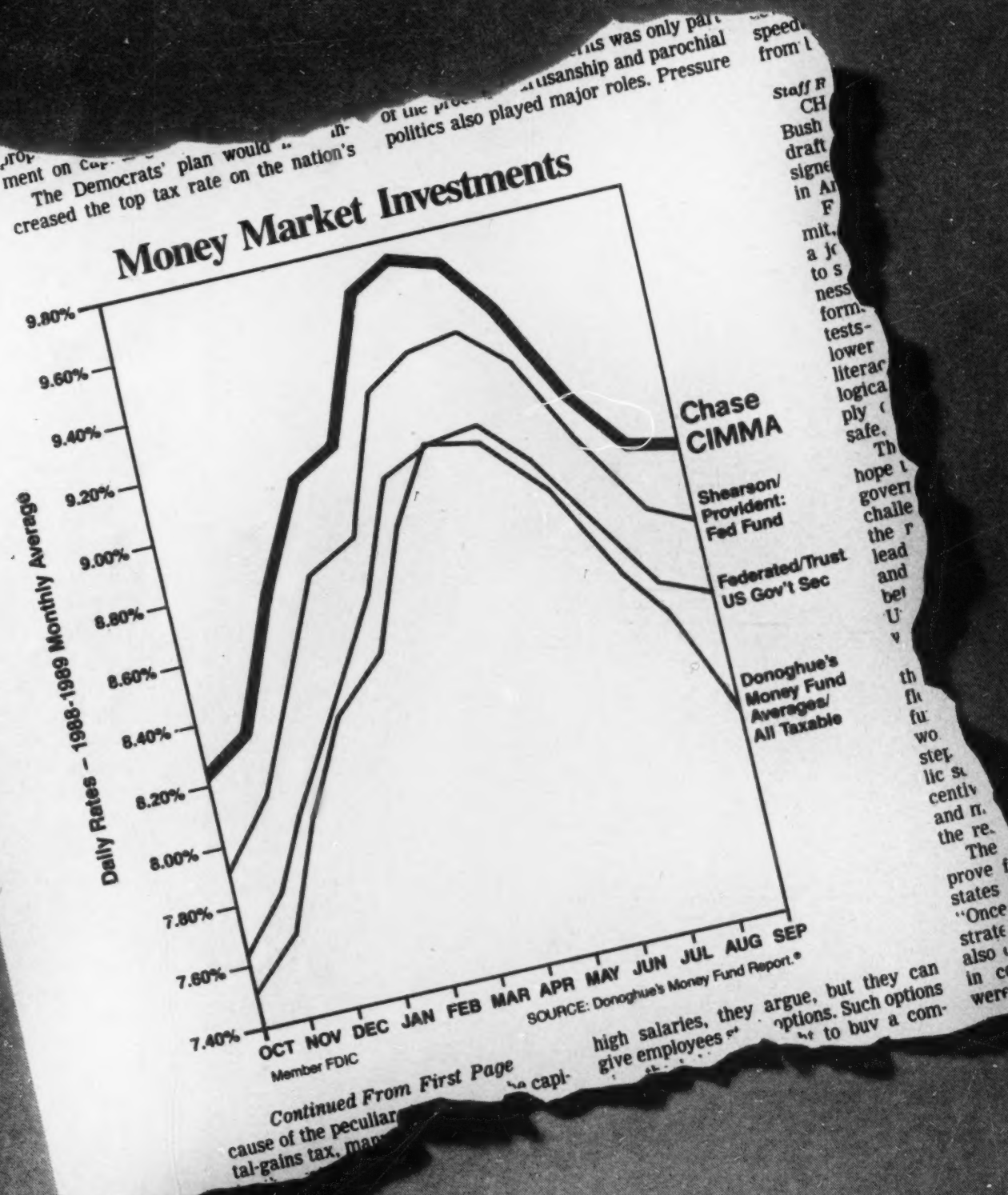
Options are preferable to forward contracts, the spokesman said, because they don't subject the company to the same marked-to-market risk. While forwards are marked to market every quarter, options remain at book value. Because the company employs hedges for extended periods, options serve to reduce market volatility. ■

Money movers is a section that details the appointments of money management firms for tax-exempt funds.

The money movers section appears in each issue of *Pensions & Investment Age*.

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Divestiture opinion sought

High court to be asked to review Maryland decision

By Trudy Ring

BALTIMORE — Four participants in the \$1.5 billion Baltimore Employees' Retirement Systems plan to ask the U.S. Supreme Court to review a Maryland court's recent decision upholding Baltimore's South Africa divestiture law.

If the court decides to hear the case, it apparently would be the first one on divestiture of South Africa-related securities to come before the Supreme Court. The court's action could have far-reaching effects, legal experts said.

If the high court decides the

lower court was wrong, public pension funds would have to stop divestiture, said Roy Schotland, professor of law at Georgetown University, Washington. If it rules divestiture is acceptable, this may put pressure on more public funds to adopt such a policy, he said.

The participants have until Nov. 30 to file their petition to the Supreme Court, said their attorney, Douglas Foster, president of the Atlantic Legal Foundation, New York.

"They think the Maryland Court of Appeals was wrong and the decision was egregious," he said.

That court, the highest court in Maryland, issued a decision Sept. 1 upholding the city ordinance re-

quiring the systems to divest themselves of securities in companies with significant operations in South Africa (*Pensions & Investment Age*, Sept. 18).

Trustees of the retirement systems filed a suit challenging the ordinance about three years ago. Baltimore Circuit Court upheld the ordinance, so the trustees took their case to the appeals court. The appeals court, unlike the circuit court, allowed the participants to intervene in the case.

The trustees decided not to appeal the case further because the appeals court had addressed their primary concerns, the legality and validity of the ordinance, said

Tom Taneyhill, deputy administrator of the systems.

The appeals court ruled the ordinance did not, as the trustees' suit had claimed, conflict with federal law; pension fund management traditionally is a matter for local regulation, the court held.

The court also held the cost of the measure was so small it would not impair the contract between the retirement systems and their participants and beneficiaries.

Mr. Foster, however, said divestiture may affect benefits because of a variable benefits provision of the systems. If the systems' annual return exceeds 7.5%, benefits are increased.

The appeals court's decision said that while the participants and beneficiaries have a contractual right to both defined and variable benefits, they do not also have the right to control the investments. If the earnings were sufficient to warrant the benefit

increase, and it was not made, the participants and beneficiaries could reasonably argue they had been deprived. But an action that may reduce the earnings does not provide a basis for such a claim, the court held.

Respect

Continued from page 27
with average turnover costs in international equity portfolios.

Wisconsin's \$325 million in international equity investments — \$100 million managed internally — are not hedged.

"The studies are not so clear on equities," Mr. Gibson said. "The theory is the value of the currency may be reflected in the price of the stock."

Oechsle International Advisors, Boston, prefers to let its active equity decisions do its hedging.

"We do a lot of natural currency hedging," said Oechsle partner Stephen Langer. "We incorporate the hedging decision constantly in stock selection and country allocation. We think it's a very difficult game, and in our investment experience we don't know of anybody that does it well over long market cycles."

According to Ennis, Knupp's Mr. Burik, hedging creates a need for cash flow that doesn't normally exist, because of the need to have a mechanism to liquidate securities and the high transaction costs involved in doing so with foreign securities.

"It's not a big difference, but for the smaller fund, the pension administrator has enough to do without another set of decisions," he said.

Investment managers who handle international investments for pension funds typically have had discretion on whether to hedge, but with the increased popularity of hedged benchmarks, they are subtly losing that discretion.

"They typically don't direct us to hedge in portfolios where the benchmark is unhedged," said Richard Carr, managing director of Brinson Partners Inc., Chicago. "But more than half of the time we will be hedged."

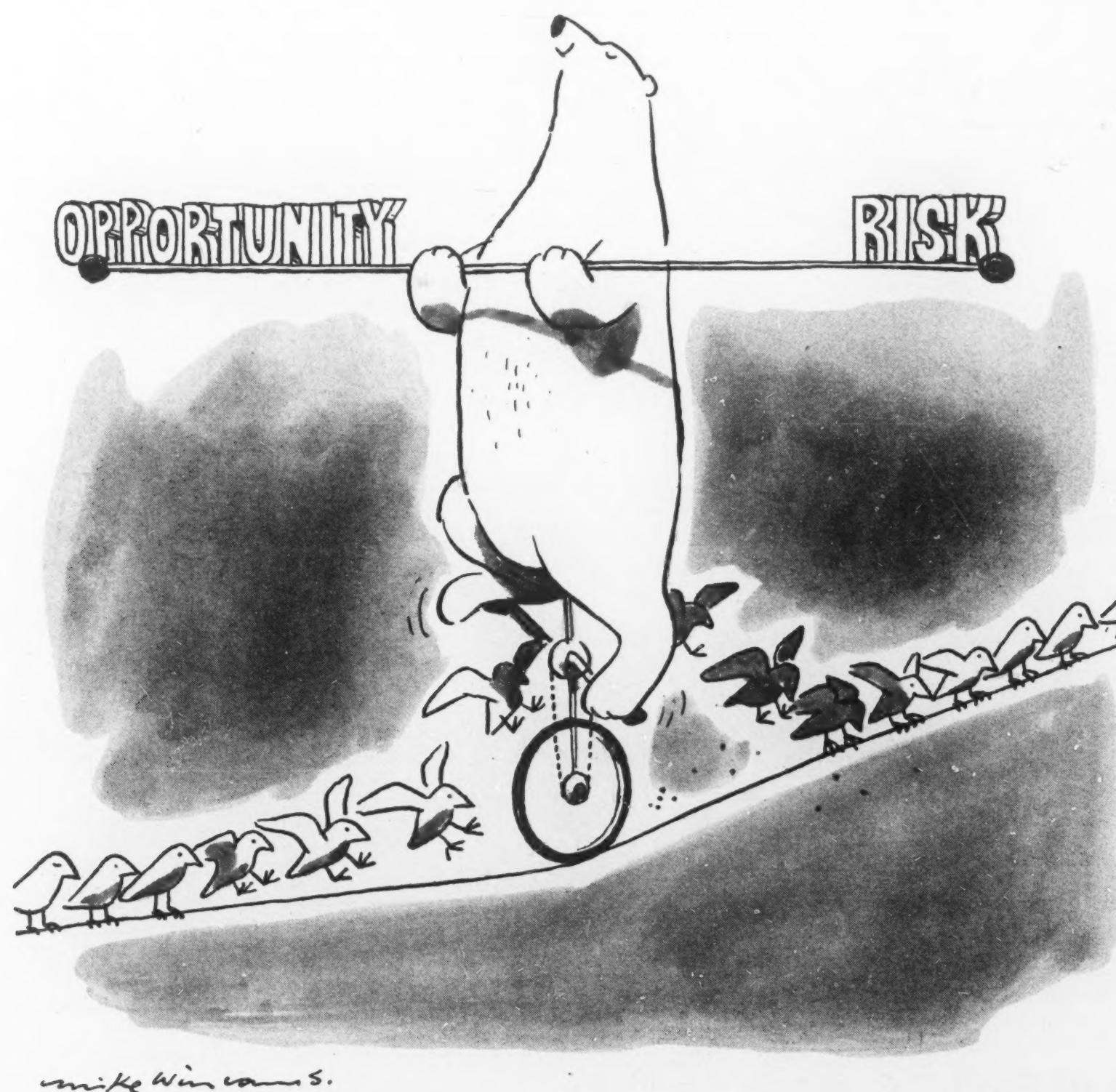
He said the firm has four clients that have adopted a fully hedged benchmark, and the interest in such hedged benchmarks is growing.

But PCM's Mr. Gillman warns that the 10 years of research in this area may prove to be too short a history upon which to demand hedging from investment managers. PCM does hedge both equity and fixed-income portfolios, and the results have been "gratifying," Mr. Gillman said. "But it may prove that the correct way to go is with a hedged benchmark but giving the manager an ability to unhedge" if, for example, the manager has a strong opinion the currency will appreciate significantly in the near term.

GTE Investment Management Co., Stamford, Conn., which manages the pension fund of GTE Service Corp., put into place a 50% hedged benchmark this year. Pamela McCann, pension fund vice president, said although this may encourage the investment managers to hedge portfolios, it still is a decision for the manager.

"We have not taken that discretion away," she said.

The increased interest also has prompted new hedging products. TIMCO is offering a synthetic quantitative currency overlay product that attempts to replicate a basket of currency options. Ms. Dowling said it seeks not only to respond to currency movements but also to correlate those with movements in the underlying securities.



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FINANCING

Finance companies going on the prowl

Competition gives clients more choices

By Marcia Parker

Finance companies, often thought of as second-class providers of car, aircraft and equipment financing and the like, have been expanding their horizons. Some have made corporate finance a key thrust.

Westinghouse Credit Corp.'s national advertising campaign hawks its newly developed corporate finance dealmaking prowess, underscoring what has been an aggressive drive by finance companies to give investment and commercial banks, boutiques, insurance companies and utilities a run for mostly middle-market corporate customers as well as consumers seeking financial services.

Some arrange private placements, take equity stakes in companies they are helping to raise capital, finance leveraged buy-outs and do commercial real estate finance.

Although the competition is fierce because of the number of players and new entrants, continuing industry consolidation and

Top 10 companies by revenue

	Revenue (\$ mils.)		Return on equity (%)		Return on assets (%)		Total assets (\$ mils.)	
	1989*	1988	1989*	1988	1989*	1988	1989*	1988
General Electric Capital Corp.	3,846	6,671	16.9	15.48	1.61	1.46	52,691	47,766
Comdisco Inc.	1,231	1,309	21.15	3.71	2.77	0.52	3,913	3,488
Household Finance Corp.	1,195.7	2,021.9	16.92	17.52	1.5	1.6	15,357.2	14,112.2
Associates Corp. of North America	1,146.3	2,008.8	19.35	20.35	2.33	2.48	13,546.9	12,623.6
Transamerica Financial Group Inc.	941.7	1,304.8	12.08	10.51	1.92	1.62	9,067.3	7,970.1
ITT Financial Corp.	851	1,461.9	15.55	15.69	1.74	1.68	9,760.2	8,998.8
American Express Credit Corp.	766	1,224	13.03	11.19	1.37	1.21	10,045	9,800
Beneficial Corp.	756.1	1,418	13.49	12.72	1.52	1.44	7,827.2	7,544
CIT Group Holdings Inc.	569.2	1,059.7	8.93	9.38	1.24	1.28	9,726.5	9,337.2
Avco Financial Services Inc.	566.1	1,047.2	17.69	11.42	2.59	1.69	4,240.1	4,173.1

*For six months ended June 30
Source: Standard & Poor's

pressure on profit margins, company financial officers and treasurers say they have reaped the rewards in the form of lower cost of capital and fees and a larger array of financial service providers from which to choose.

In a special report, Standard & Poor's Corp., the rating agency, took an in-depth look at finance companies, their activities and financial condition. While finance companies vary widely in relation to profitability, capital adequacy and funding and asset quality, S&P generally was upbeat about the industry, noting the rating trend for finance companies was admirable when contrasted with banks, their key competitors.

"The major challenge in the 1980s was competition, and it remains a primary challenge for the coming decade," the report said.

Company finance officials report they are experimenting more with a mix of financial service providers who offer innovative ideas, including finance companies. They say few are in the forefront like General Electric Capital Corp., which they consider an able competitor with leading investment and commercial banks. But finance companies are garnering a small but growing piece of the executives' business.

Some finance companies focus primarily on corporate business, including GE Capital; CIT Group

Holdings Inc., a unit of Manufacturers Hanover Corp.; Heller Financial Inc., a unit of Japan's Fuji Bank; Household Finance Corp., a unit of Household International Inc.; and Westinghouse Credit and Greyhound Financial Corp.

The next tier offers a mix of commercial and consumer finance. Two examples are Associates Corp. of North America, which is owned by Ford Motor Co., and Barclays American Corp., a subsidiary of London's Barclays Bank. Some of the captive finance subsidiaries of auto and other companies — like General Motors Acceptance Corp., the largest finance company worldwide and the nation's second largest commercial banking company — are in business mainly to help their parent sell the goods and services it offers by providing cheap financing. But they, too, are expanding their activities.

GE Capital, a \$52.7 billion diversified finance company based in Stamford, Conn., operates in 19 business activities from leveraged buy-out financing to auto fleet leasing. It is a leader in corporate finance, especially private placements and leveraged buy-outs. Equity positions taken by GE Capital as part of its leveraged buy-out financing activity have grown to a substantial size and are expected to make a large contribution to future earnings as gains are realized, S&P said. GE Capital lately has been on an acquisition binge, buying Gelco Corp., D&K Financial Corp. and Montgomery Ward Credit Corp. to bolster its presence in the auto leasing and retailer financing businesses.

Chicago-based Heller Financial, a \$5.7 billion commercial finance company, concentrates on leveraged funding for leveraged buy-outs, debt restructuring and real estate financial services. About 35% of Household Finance's operations involve corporate finance. ITT Financial Corp., which does both commercial and consumer lending, has backed away from making commercial loans, especially for working capital, in light of competitive pressure. Now it is focusing on inventory financing for retailers and commercial real estate lending.

Los Angeles-based Foothill Group has a Foothill Capital Group that targets high-risk commercial borrowers and provides working capital loans to borrowers in Chapter 11 bankruptcy protection, known as debtor in possession financings. The firm recently has expanded its lending

Continued on page 38

Leverage pulling at quality

CHICAGO — Rising leverage and the eroding quality of the equity component of the balance sheet of many finance companies has Duff & Phelps Inc. worried.

In a report on finance companies, the Chicago-based rating agency noted the balance sheet, notably leverage, has been the area of greatest change for finance companies this decade. Leverage — as measured by a firm's debt-to-equity ratio — has increased substantially for the industry, more than doubling in some cases, Duff & Phelps said.

The rating agency said improved asset quality provided some basis for the increase, but most recently the deterioration seems tied to increased competitive pressures.

"Higher leverage is now needed to maintain or improve returns on equity. The higher leverage and lower reserve position means there is less cushion to protect bondholders from adverse developments than in earlier years," the report states.

"The higher leverage is beginning to erode a major advantage the finance industry held over the banks from a rating perspective. While the finance companies have leveraged up, banks' leverage has fallen. Further, banking reserves have been increased while the finance companies' have declined."

Duff & Phelps also noted that close to 100% of a finance company's assets are loans, and virtually all liabilities are short- and long-term borrowings. Conversely, 75% to 80% of the typical banks' assets are loans, with short-term investments needed to enhance the banking system's liquidity constituting much of the remainder.

The quality of the equity component of the balance sheet is also being diluted. Companies such as Chrysler Financial Corp., General Electric Capital Corp., Heller Financial Inc., International Lease Finance and Westinghouse Credit Corp. have issued or plan to issue preferred stock to augment the equity base. The preferred does provide support to the debtholder and alleviate pressures on the debt-to-equity ratio. But leverage on common equity is increased, the rating agency said.

Profitability — as measured by return on equity — has been well maintained

Continued on page 38

Equity requirement demanded

By Marcia Parker

A senior Wall Street economist is calling for establishment of mandatory equity capital requirements for large corporations to combat the shrinking of corporate equity and spur a slowdown in burgeoning corporate debt levels.

Alarmed by the rapid disappearance of equity in corporate America because of mostly debt-financed mergers and acquisitions, restructurings and a slew of stock buyback programs, Albert M. Wojnilower, managing director and senior adviser at The First Boston Corp., proposed a new "tool of control" be created to constrain corporate borrowing. A financial ratio approach similar to that already applied by lenders and bond rating agencies could be used, he told bankers and corporate executives attending a conference last month sponsored by the Federal Reserve Bank of Boston.

"Equity capital requirements for larger corporations are proposed as a simple, effective and market-oriented device. Such requirements seem a rather non-obtrusive way to check a trend that, unconstrained, leads to the backdoor socialization of the economy," he said in the speech.

Mr. Wojnilower, who is well known in the financial community for interest rate forecasts that frequently have departed from the consensus, said the equity requirement should be "gentle — I visualize less than 1% of the regulated universe in initial violation — but satisfiable only by pure equity . . . The object of equity regulation is to compel a buffer such that firms will be forced, as it were, to weather a

general downturn on their own resources."

To avoid "keeping the fire engine locked up while the city burns," he said the authorities must be allowed to lower the requirements when they see fit, but only across the board for macroeconomic reasons, not for individual cases.

The required ratios would have to be set at different levels for different firms, depending on their size and industry.

A twofold penalty for non-compliance would be simple and automatic. The lesser penalty would be the withdrawal of the tax advantage for the excess debt, which would mean the interest would be treated as though it were dividends. He said this would limit the tax incentive for equity retirement without radically revising the economy of our tax system.

Mr. Wojnilower suggested a



Albert Wojnilower said the capital requirement would constrain corporate borrowing.

more potent penalty would be compulsory dismissal of senior management, with forfeiture of things like equity entitlements and golden parachutes.

He warned conference participants the shrinking equity in corporate America is taking the nation into a potentially much deeper "moral hazard morass" than did the Latin American loans or the savings and loan excesses.

"Now that heavily indebted companies are becoming typical, the risk is already serious that a shock, such as higher interest rates or a recession, could threaten enough household-name companies to form a critical, political mass," he said.

Mr. Wojnilower said it's dangerous to expect — in fact, almost rely on — the federal government to step in and bail out any ailing financial institution, agency or company.

"Just as we have seen the government rescue function extended, among others to Lockheed, Chrysler, New York City, the commercial paper market, government security dealers and most recently the stock market, so may we safely assume that public support would be invoked for any important group of corporate debtors in difficulty," he said.

"The risk we run by tolerating the attrition of equity is not primarily that of economic catastrophe but rather of massive government rescue operations that deeply politicize the economy."

In an interview following the conference, Mr. Wojnilower said his proposal so far hasn't drawn much debate. "It is a proposal in which there are very few losers. There are all sorts of advantages to the underwriters and investors," he said.

FINANCING

UPDATE

Banks get bigger slice

NEW YORK — Amid continuing consolidation in the investment banking area, investment banks lost ground to money center banks in privately placing debt and equity for corporations and public corporate bond underwritings in the first half of 1989, according to the Securities Industry Association.

While large investment banks handled 40% of the first half's \$96 billion of private placement of debt and equity offerings, money center banks garnered a record 30% of private placement volume, followed by full line firms — firms that provide a full range of banking services — with 28%.

The rest was spread among the other players.

In all of 1988, however, large investment banks had significantly greater share — 45% — of the private placement volume. Money center banks and national full line firms each had about 27%, the SIA said.

In the public underwriting business, the investment banks lost more ground. A record 89% of 1989's corporate bond underwritings through the third quarter were done without syndication, up from 82% in 1988 and 21% in 1980.

The SIA also said risk-based capital from principal transactions such as trading and investments by brokerage firms for their own accounts; investment banking; and merger and acquisitions activities, account for a major and growing portion of securities industry revenue.

Analysis of first-half results shows that risk-based revenue accounted for 64% of industry revenue, up from 63% in 1988 and only 42% in 1980. The 10 largest investment banks, using their capital to follow a risk-based strategy, currently account for a third of industry revenue and capital, the SIA said.

Securities industry revenue tied directly to capital at risk has risen sharply since the start of the decade and inched ahead from 1988. As a result of the change in direction, commission revenue is becoming a less important factor.

The SIA estimates large investment banks captured 56% of mergers and acquisitions fees in 1988; national full line firms, 27%; and specialized boutiques, about 7% each. The remainder was distributed among all the other firms.

Japan eyes disclosure

TOKYO — Japan's securities firms are being asked for their

views on the Japanese Ministry of Finance's proposal to require timely disclosure when someone purchases more than 5% of a corporation's shares.

The finance ministry is seeking to alleviate turmoil in the Japanese capital markets by putting a disclosure requirement in place. Government officials haven't de-

cided which companies would be covered and what would have to be disclosed beyond the fact that the 5% stake was purchased.

In the United States, the Securities and Exchange Commission's requires buyers to file a form with the agency when a 5% stake in a public company is acquired.

Leverage

Continued from page 35

and often improved for the finance industry in recent years. There has been, however, a modest decline in return on assets reflecting changing conditions and leverage.

The returns on assets for the industry as a whole remain excellent relative to the banking industry. Careful attention to operating expenses and asset quality will be necessary to preserve this performance. A shortfall could lead to increased financial leverage to maintain returns on equity. Many companies in the industry have now reached a point where further increases in leverage could impact the ratings.

Increasingly banks and finance companies are pursuing the same customers, the elusive middle market. On the commercial side, banks have found it necessary to aim for small companies to replace the large corporate customers that found cheaper funding sources from commercial paper and public debt markets. At the same time finance companies have sought to upgrade their customer base, often targeting the same customers. The commercial customers of banks are now virtually indistinguishable from those of General Electric Capital, CIT, Heller Financial and Westinghouse Credit.

Going on the prowl

Continued from page 35

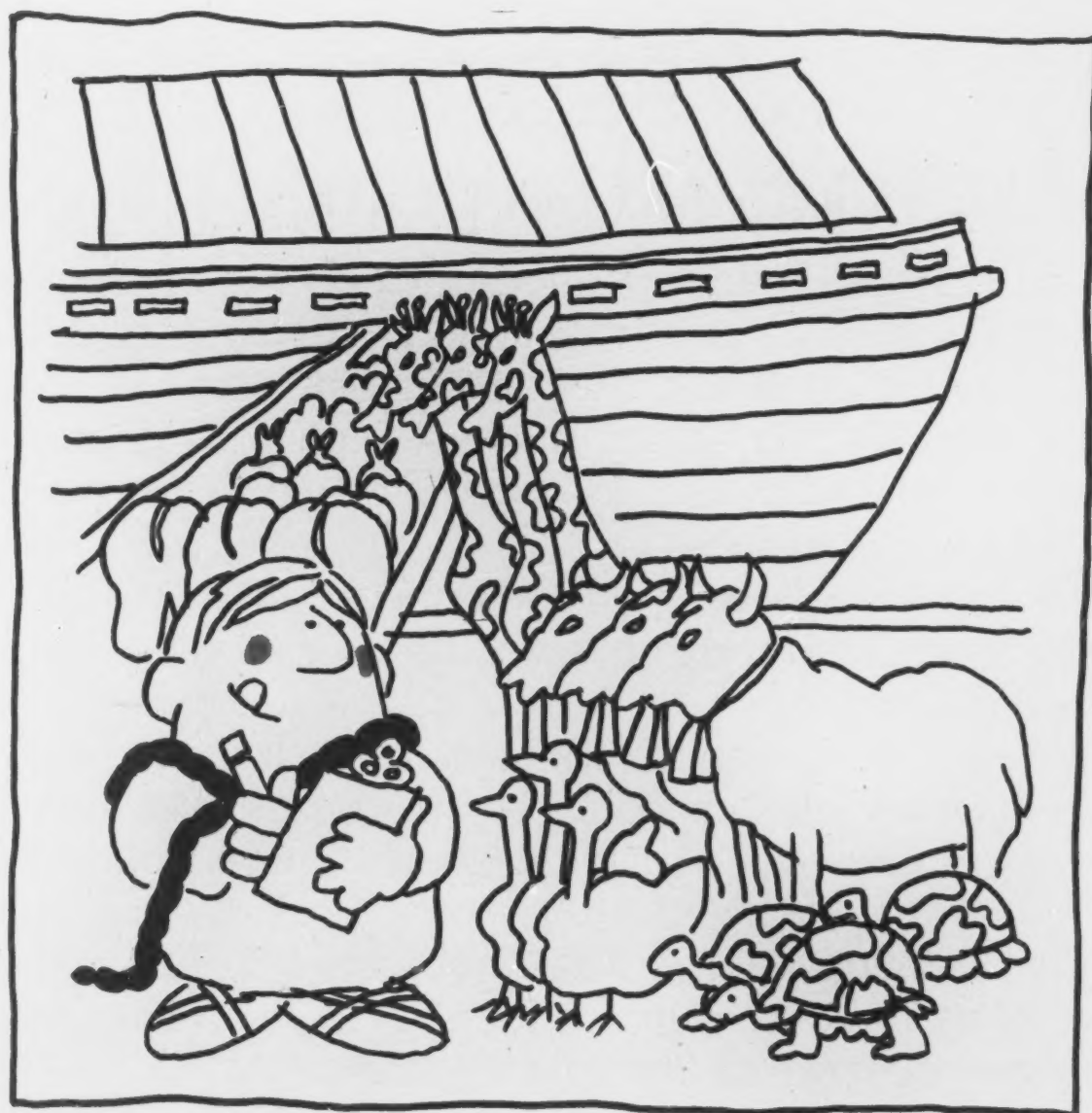
activities to defaulted junk bond issues, a natural complement to its existing borrowing base.

Pittsburgh-based Westinghouse, with \$8.7 billion in assets, shed its high-volume, low-margin financing business to concentrate on fee-based income and equity investments in corporate finance, real estate finance and merchant banking. It often takes an equity participation, thus capitalizing on the value-added quality of its corporate financing expertise. Westinghouse's commercial real estate operations have grown rapidly in recent years to \$2.96 billion and 43% of total receivables in 1988 from \$1.78 billion and 34% in 1985, according to S&P.

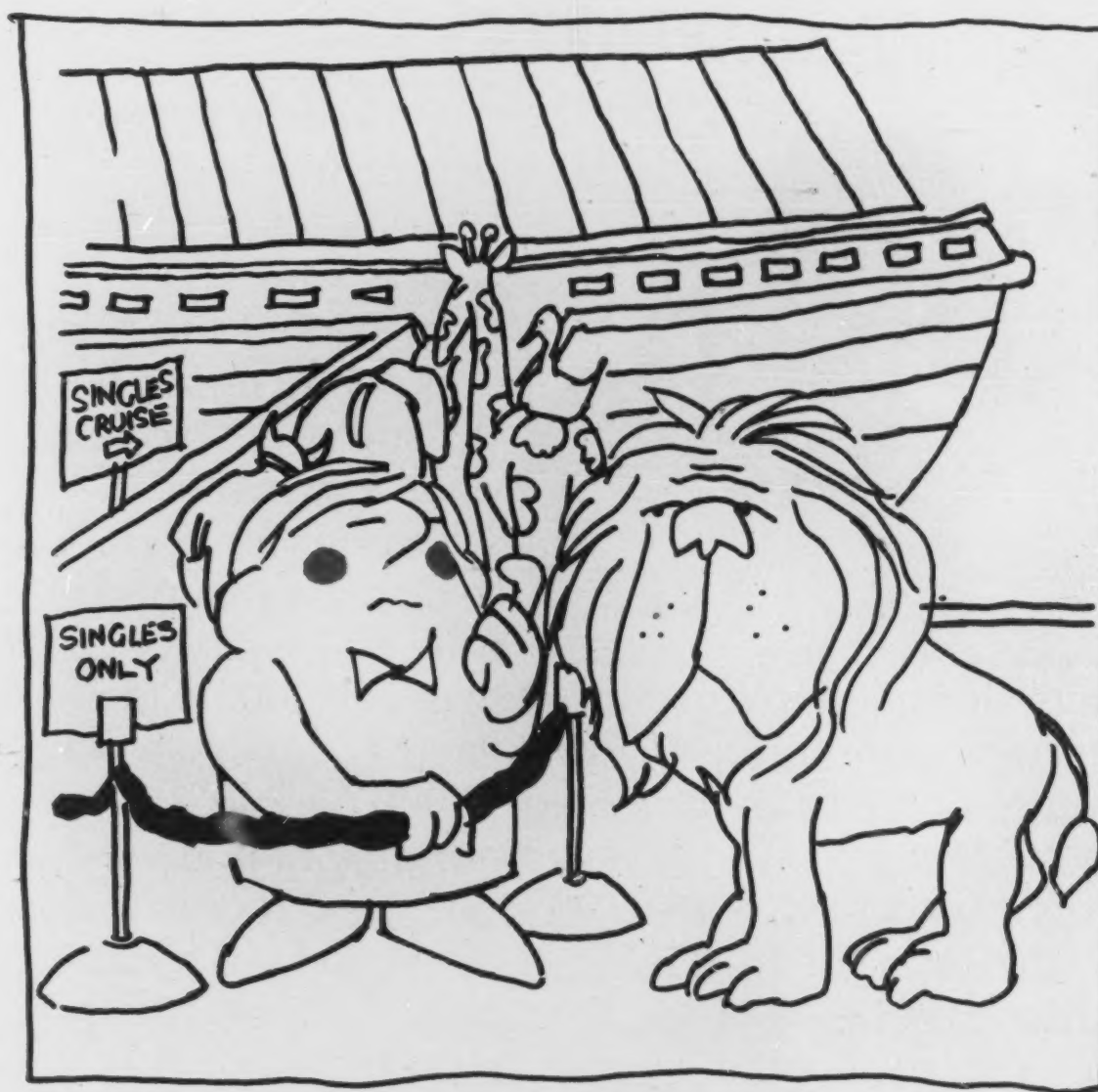
McDonnell Douglas Finance Corp., St. Louis, which long focused on aircraft and other equipment financing, has expanded to make commercial real estate

lending an increasing focus. It also invests in junk bonds, with \$50 million, or 2% of its assets invested in non-investment-grade bonds at year-end 1988, S&P said.

Textron Financial Corp., Providence, R.I., has moved from its traditional Textron Corp. parent-oriented focus to expand into corporate finance, vendor finance, capital investment and real estate finance. Englewood, Colo.-based U S WEST Financial Services Inc., a unit of U S WEST Inc., the communications firm, is a diversified equipment lease and sales financing company with plans to expand into other areas. Transamerica Finance Group Inc., San Francisco, has diversified by acquisition into commercial lending and insurance premium financing. U.S. Leasing International Inc. does all sorts of leasing as well as real estate lending and preferred stock investments.



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INTERNATIONAL

Wary gamble in Japan

Venture capital funds blossom despite some hesitation

By Margaret Price

Although institutional investors are being greeted by a rising number of venture capital funds in Japan, at least some investors say they remain unsure or even chary about the attractiveness.

The Japanese venture capital industry has been gaining ground during the 1980s. Worldwide investments in Japanese venture capital opportunities has risen to as much as \$3 billion as of the end of 1988, according to the Asian Venture Capital Journal, from almost nothing at the beginning of the decade. Yet, the Japanese venture capital industry remains small compared with the more than \$31.1 billion invested in U.S. venture capital as of last year.

Japan's venture capital market does offer a variety of enticements. Besides the allure of investing in the strong economy of Japan, experts also cite such factors as expected continued growth of Japan's still small venture capital industry; the existence of a growing over-the-counter stock market, where close to 80 companies are expected to make initial public offerings this year; the relatively high multiples of Japanese stocks, which suggest potentially handsome returns can be reaped on venture capital investments; and some investors' perceptions that Japan offers an alternative to U.S. venture capital.

But problems and deterrents also loom. These range from perceptions that, in a downturn,

Japan's small companies are the first to be hurt, to questions about the very viability of entrepreneurship in Japan.

"The Chinese tend to be more entrepreneurial than the Japanese," said Robert Whyte, senior vice president at Mitchell Hutchins Institutional Investors Inc., New York. That means venture capital "investors might be better off in places like Hong Kong or Taiwan than in Japan."

Unlike the United States — where the entrepreneurial spirit is strong — many ideas in Japan historically emerged from big corporations and were nourished with the help of corporate research and development money. Exceptions have usually included family-owned businesses or suppliers to large corporations, who were protected by their customers.

Apparently no data exist on the level of U.S. investment in Japanese venture capital, but some industry experts say they believe the amount is relatively small compared with total U.S. investment in Japan.

One U.S. pension fund executive, who asked not to be identified, said he would not, in the foreseeable future, increase his outlay to Japanese venture capital beyond the current small investment in one fund. Among his complaints: since corporations are the more typical breeding ground for new ideas, venture capitalists have access to a reduced number of start-up ventures.

"Japan has no shortage of good

ideas. There's just a shortage of new ideas available for venture capitalists," the executive said.

Investors also worry about returns from Japanese venture capital investments. Concerns stem from the fact few Japanese venture capital funds are more than 10 years old, meaning performance numbers generally are incomplete.

"That has to start being addressed to convince investors that this is a viable area," said Kevin S. Delbridge, director-partnership investments at John Hancock Venture Capital Management Inc., Boston.

"In general, we have seen funds off to a good start and doing well," he said.

Nicholas Ferguson, chairman of Schroder Ventures, London, said the firm's 4-year-old, \$24 million Japanese venture capital fund, a limited partnership, is showing a compound annual return of about 25% as of June 30. "Our expectation is that the fund could make returns in the high 20s or low 30s."

In addition, the 4-year-old, \$36 million Japan-America Venture Partners fund, of JAFCO America Ventures Inc., New York, "can get around a 20% compound annual rate of return," said Shoichi Fuji-kawa, president of JAFCO America. JAFCO is a general partner in the fund.

Such numbers look impressive when compared with returns from U.S. venture capital funds. According to Venture Economics Inc., Needham, Mass., venture

Venture capital: Japan and the U.S. (\$ millions)

	Japan	U.S.
Total venture capital assets	\$2,170	\$31,140
Assets invested	968	21,300
Assets raised in 1988	390	2,947
Assets invested in 1988	173	3,000
Number of venture capital firms	84	658

All figures are year-end 1988
Source: Schroder Ventures

capital funds formed in 1982 had a 1.3% five-year median internal rate of return and a valuation of 1.04 times paid-in capital; those from 1981 posted a 5.6% five-year median internal rate of return and a valuation of 1.29 times paid-in capital; and those from 1980 had a 20.5% five-year median internal rate of return and valuation of 2.1 times paid-in capital. Figures for funds less than 5 years old were not available.

Such successes lead many experts to expect continuing growth in the still-young Japanese venture capital industry and are helping to spawn more Japanese venture funds.

Schroder Ventures is trying to raise between \$40 million and \$50 million for a Japanese venture fund. Both Schroder funds are targeting such industries as high technology and consumer-related fields as well as management buy-outs and companies in later stages of development. Techno-Venture Co. Ltd., Tokyo, expects to have a second closing in early December on a \$25 million to \$35 million Primer Fund Group.

For Schroder, the new fund would be its second targeted to Japan; for Techno-Venture the new fund is its fifth Japanese venture capital fund and its first

available to international investors, said James Hayashi, Techno-Venture's manager of the international financial services division.

The Primer fund will use a strategy called "corporate partnering." The fund would invest in companies, potentially anywhere in the world, that are willing to be acquired or accept some other financial arrangement, such as a joint venture. After making its investment, the fund would seek an investor, who eventually would buy out the fund's stake "at a certain multiple," explained Mr. Hayashi.

During a recent trip to the United States, Schroder Ventures' Mr. Ferguson was "pleasantly impressed with the degree of interest in the subject of venture capital in Japan," he said. While there wasn't a "huge market" in the United States for Japanese venture capital investments, interest "was above the level we expected."

Thus far, Schroder has signed up one unnamed U.S. foundation for its second Japanese venture fund. For his part, Mr. Hayashi expected Techno-Venture's new fund to be "oversubscribed" and said it includes unnamed investors from the United States (at least three), Japan, Europe and the Middle East.

MacKay-Shields starts global unit

NEW YORK — MacKay-Shields Financial Corp. will go global with the introduction of five investment products beginning Jan. 1.

Christina Seix, chief investment officer, said the decision to offer the global products — a passive global equity fund with active market and currency selections; passive global and international bond funds with active currency decisions; a fully hedged international bond fund; and a European convertible bond fund — was made soon after the firm conducted a survey on institutional investor attitudes for the 1990s.

Ms. Seix said the firm's business development plan expects to capitalize on the growing interest in international investing from pension funds, among others. The firm's strategy will use a disciplined, quantitative approach emphasizing solid fundamentals, she said.

The European convertible product would dovetail nicely with the move toward eliminating European trade barriers by 1992, she said, and the firm's expertise in the U.S. convertible market also should help.

She said the firm, with \$6.2 billion assets under manage-

ment — \$5.2 billion tax exempt — most of it in domestic fixed-income, has tentative international commitments of almost \$200 million from three clients, whom she declined to identify.

The new division will be headed by Michael Perelstein, who joined MacKay-Shields from his position as international equity strategist for Brinson Partners Inc., Chicago, formerly First Chicago Investment Advisors.

Mr. Perelstein becomes managing director of the new MacKay-Shields global division.

Mr. Perelstein, who began work at MacKay-Shields Nov. 6, had been at First Chicago for eight years.

"I leave with a lot of admiration for the firm," he said, but added the challenge of getting MacKay-Shield's global division off the ground was a big factor in his leaving.

"It's hard to match the ability to start something," he said.

At Brinson Partners, Susan O'Nan replaces Mr. Perelstein. Ms. O'Nan had been his assistant before moving to the asset allocation division as a multiple markets analyst, according to Richard Carr, Brinson Partners managing director.

Active managers near bogeys

By Curtis Vosti

Institutional investors continue to pump money overseas as active managers almost kept pace with indexes in the third quarter, according to two surveys.

The Financial Times-Actuaries Europe & Pacific Index returned 12.6% and the Morgan Stanley Capital International Europe Australia Far East Index returned 12.46% in the third quarter. (All benchmark returns are according to Pensions & Investments' Performance Evaluation Report.)

A survey of about 150 international and global managers by The World Markets Co., New York and Edinburgh, Scotland, indicates the median international manager of the 100 who responded returned 12.1% for the third quarter. The composite performance was 12.8%.

The returns reported by active international managers to the WM Co. survey ranged to 17.9% for the 5th percentile of reporting managers, from 9.6% for the 95th percentile.

The WM Global Composite, compiled from the 16 global managers responding to the survey, returned 11.1%, compared with the MSCI World Index return of 11.7% and the FT-A World Index return of 12%. The median return for the global managers surveyed was 11.8%.

The returns, plus added cash inflows, should boost U.S. institu-

tional money invested overseas beyond the \$70 billion mark, according to Duncan Fordyce, senior vice president at InterSec Research Corp., Stamford Conn.

Mr. Fordyce said the firm's research indicates continued growth in overseas investment. The firm conducts a quarterly survey of its universe of about 130 international managers.

"We see a continuation of the trend we saw at the start of the second quarter and continuing almost with a vengeance: a strong, net positive cash inflow," Mr. Fordyce said.

At the end of the second quarter, InterSec calculated U.S. institutional investors had \$68 billion overseas.

That figure included a net cash inflow of \$4.5 billion in the first half of 1989 and the same amount

for all of 1988.

While the third quarter results are, for now, preliminary, Mr. Fordyce said at least \$2 billion net cash flow had been added during the third quarter.

In the InterSec survey, the median active international equity manager returned 13.25% for the third quarter, again compared with an EAFE return of 12.46% and an FT-A EuroPac return of 12.6%.

In a commentary to its quarterly "Flash Report," the WM Co. said the perceived strength of the U.S. economy helped returns worldwide.

"Once again, Wall Street provided inspiration for the EAFE markets," the report noted. "Indications the U.S. would achieve sustainable, non-inflationary economic growth and thus avoid tipping into recession, boosted equity markets throughout the world."

The report stated that because index returns for the United Kingdom (12.2% in U.S. dollars, according to the FT-A Index), continental Europe (14.1%) and Japan (12.5%) were close to each other, asset distribution had a mostly neutral effect.

"Portfolios' results in individual markets were mixed, with managers beating the Japanese bogey yet again, offsetting below-index returns from the U.K. Exposure to Japan declined further and liquidity was also cutback, by about 2%," the WM report said.

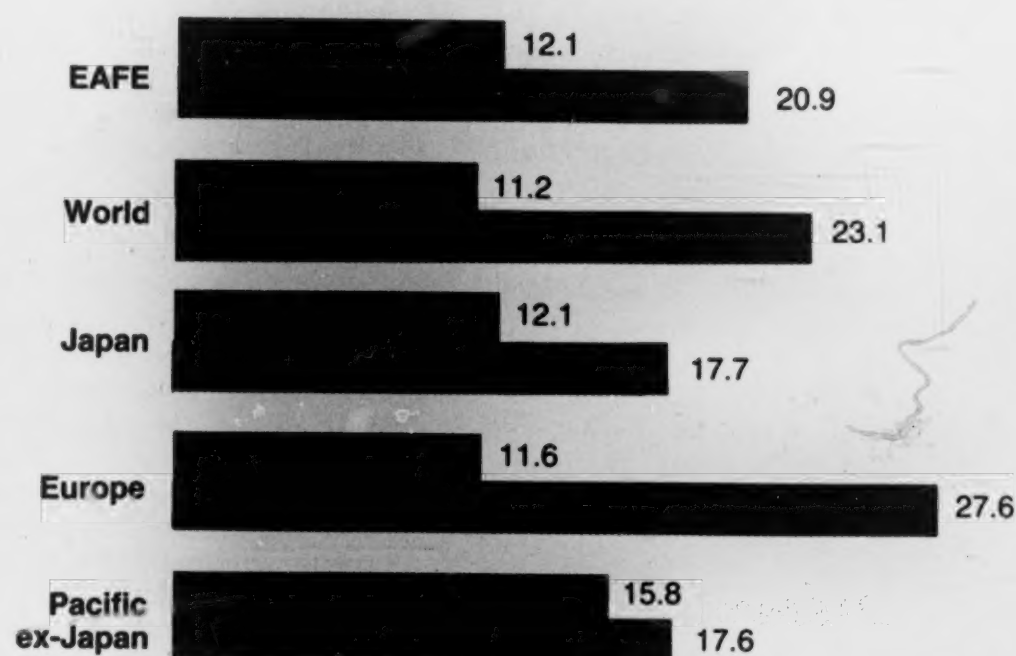
Median manager holdings in selected countries vs. the index weightings (as of Sept. 30)

	Manager weighting	FT-A Euro-Pac weighting
Australia	3.5	2.11
France	6.8	4
W. Germany	7.5	4.77
Japan	35.7	63.8
Switzerland	5	1.73
U.K.	12.2	13.48

Sources: The World Markets Co. and Goldman, Sachs & Co.

STATISTICALLY SPEAKING

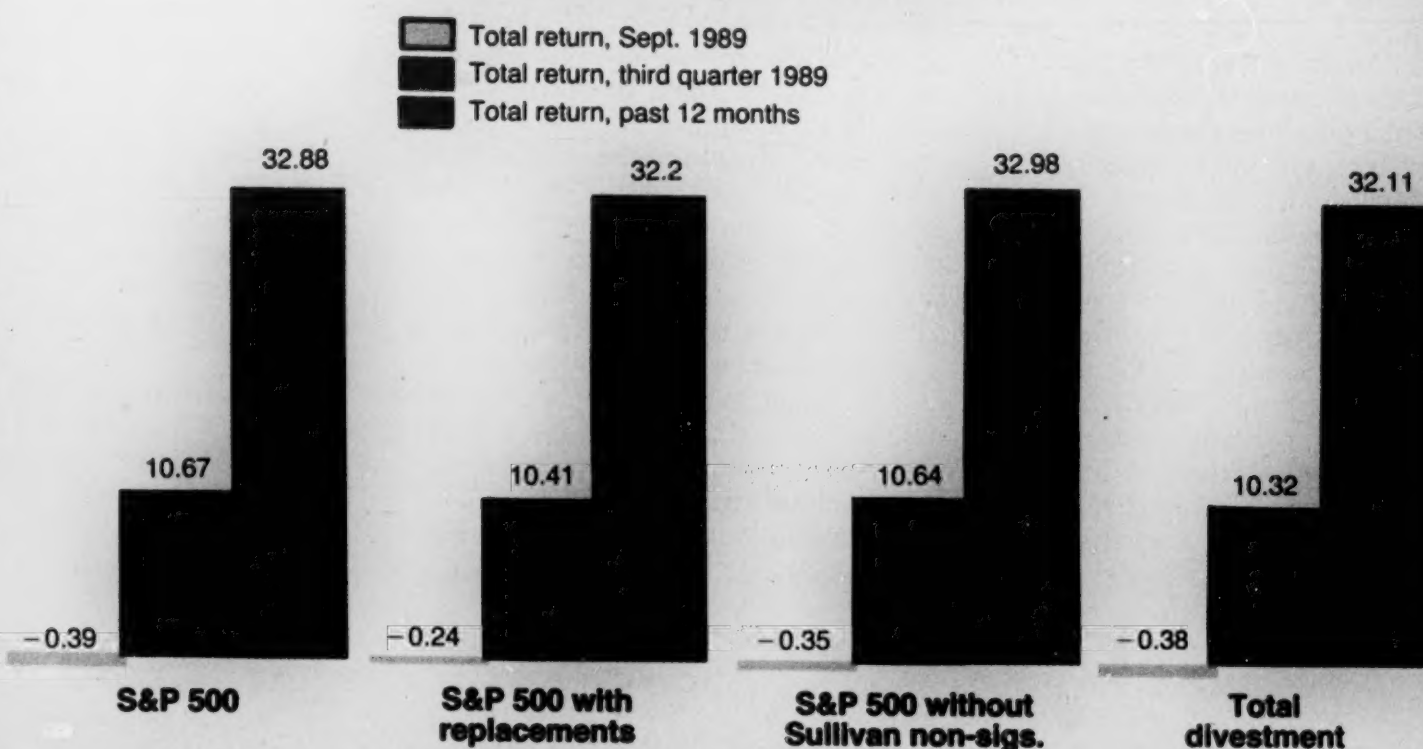
Morgan Stanley Capital International worldwide indexes



Source: Morgan Stanley Capital International, New York
Indexes are in U.S. dollar terms without dividends reinvested

■ Third quarter 1989
■ Sept. 1988-Sept. 1989

South Africa Free Index

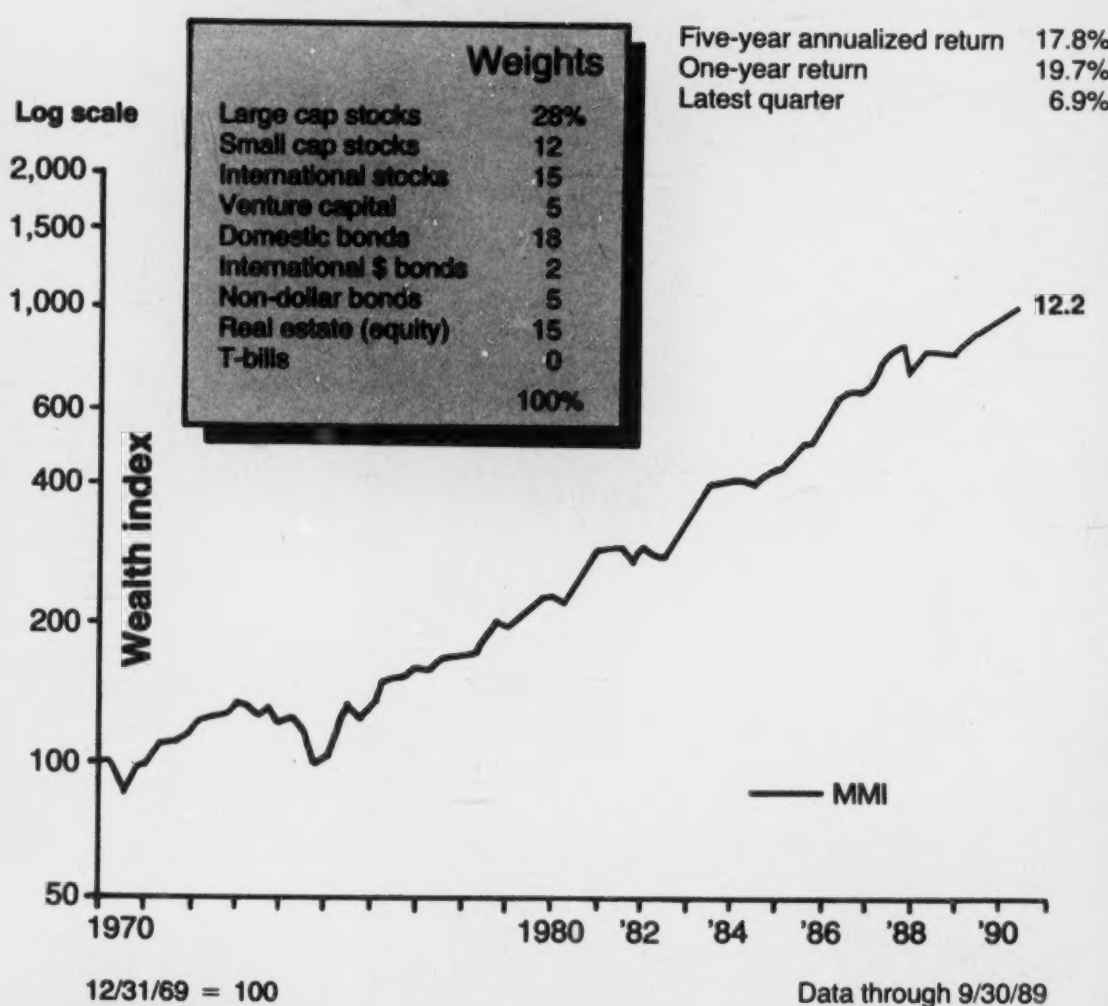


S&P 500 with replacements: replaces a South Africa-related company with next largest company in the industry. **S&P 500 without Sullivan non-signatories:** excludes 6 companies, no replacements. **Total divestment:** eliminates all companies with South Africa involvement, no replacements.

Source: Wilshire Associates, Santa Monica, Calif.

Multiple Markets Index

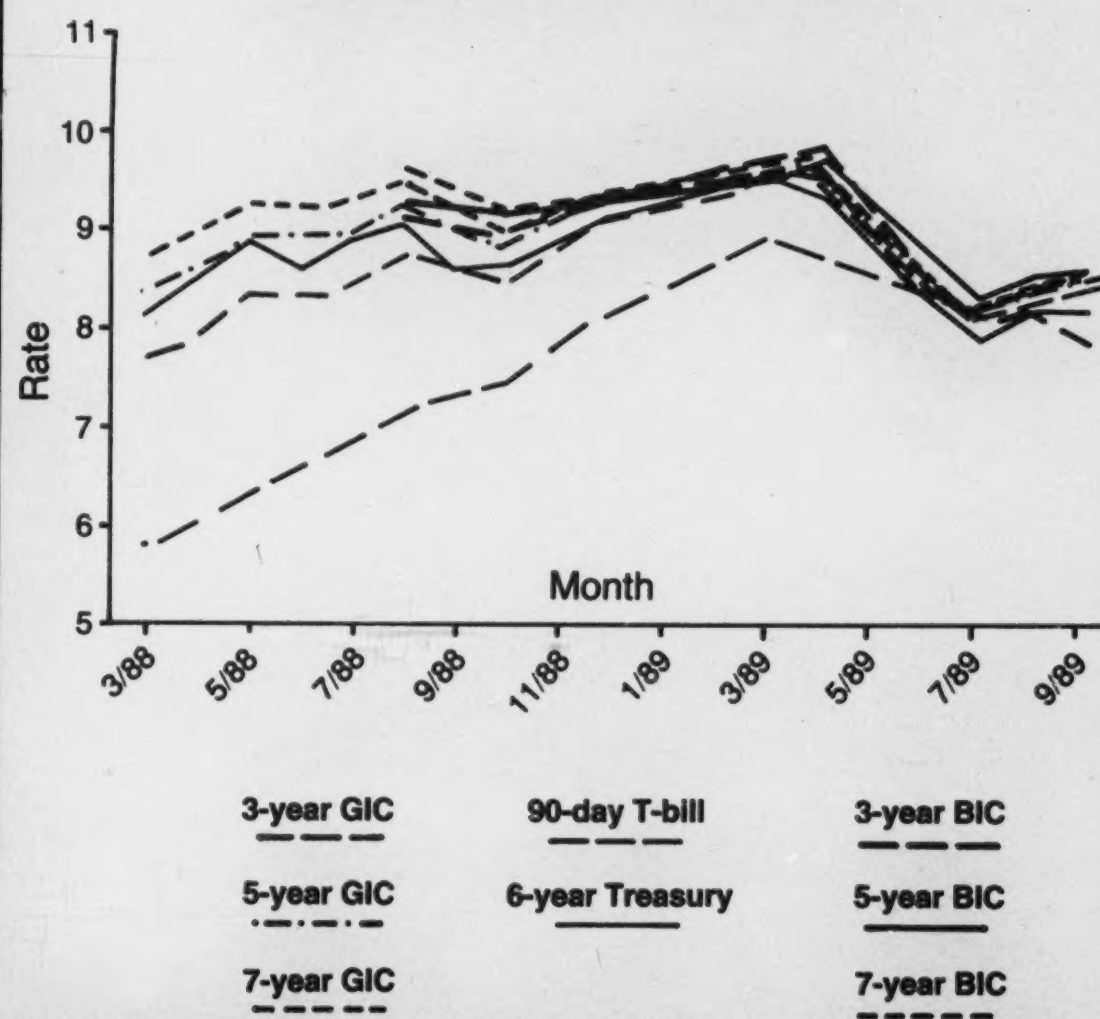
The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of eight asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.



Source: First Chicago Investment Advisors, Chicago

Summary of average GIC & BIC data vs. market yields

(Bullet, compound \$1 million contract)



Source: Mercer Meidinger Hansen Asset Planning Inc., Chicago

Third quarter 1989 returns

	Russell 3000®	Russell 1000®	Russell 1000® by market capitalization				Russell 2000®
			Large	Medium/large	Medium	Medium/small	
Technology	4.3%	4.2%	3.4%	5.9%	8.6%	0.7%	5.1%
Health care	16.5	16.5	13.3	27.5	14	12.2	16.1
Consumer discretionary	9.3	9.6	6.5	9.1	14.4	8.4	6.8
Consumer staples	10.4	10.7	12.9	7.1	11.4	9.5	4.1
Integrated oils	9.4	9.4	9	17.7	3.5	-2.6	19.5
Other energy	9.6	9.6	NA	11.4	8.6	7.1	8.9
Materials and processing	9.2	10	10.8	10.4	10.8	7.1	3.7
Producer durables	10.4	11	22.4	10.2	2.4	9.2	5.6
Auto and transportation	10.2	10.4	10.2	10.8	15.2	1.2	8.1
Financial services	12.8	13.3	14.9	16.5	10.4	12.5	6.7
Utilities	10.5	10.7	15.9	5.3	8.1	5.6	4.7
Total	10.1	10.3	10.7	10.8	10.4	7.9	6.8

Source: Frank Russell Co., Tacoma, Wash.

GIC yields bump upward

By Fred Williams

Yields on guaranteed investment contracts were up slightly during the third quarter, but quality spreads over comparable U.S. Treasury instruments were razor thin on some contracts.

The GIC yield curve returned to a slightly positive slope during the quarter from an inverted position in the second quarter, when the highest yield for a \$1 million three-year compound contract was 10.2% and only 9.99% for the five-year contract, according to Peter Bowles, president of Fiduciary Capital Management Inc. For the third quarter, the three-year contract was 9.05% and the five-

year contract, 9.1%.

"Clearly there still is no great incentive to go long," said Mr. Bowles.

Gary Mink, president of the Mink Organization, Rochester, N.Y., said spreads have narrowed to the extent that, in some cases, Treasury instruments were yielding more than a GIC for a one-year contract. The negative spread caused him to look at other, higher yielding instruments in which to deposit client assets until the yield curve returns to a more normal upward slope.

Mr. Mink said he has been placing some assets into bank certificates of deposit with one-year durations yielding about 9%.

Insurance company quotations on

representative five-year, single-deposit, simple-interest, \$1 million GICs as of Sept. 29 and June 30 as provided by Lamberson Knight GIC Inc., Short Hills, N.J., and GIC Inc., Beaverton, Ore., are:

- Allstate Life Insurance Cos., Northbrook, Ill.: Sept. 29, 9.01%; June 30, 7.86%.
- Canada Life Assurance Co., Toronto: 8.75%; 8.49%.
- Confederation Life Insurance Co., Atlanta: 8.95%; 8.62%.
- Connecticut Mutual Life Insurance Co., Hartford: 8.95%; 8.35%.
- Continental Assurance Co., Chicago: 8.79%; 8.44%.
- Crown Life Insurance Co., Toronto: 8.6%; 8.22%.
- Great West Life Insurance

Co., Denver: 8.45%; 8.15%.

• Hartford Life Insurance Co., Hartford: 8.72%; 8.39%.

• Home Life Insurance Co., New York: 8.53%; 8.34%.

• John Hancock Mutual Life Insurance Co., Boston: 8.84%; 8.44%.

• Life Insurance Co. of Georgia, Atlanta: 8.65%; 8.6% (June 27).

• Life Insurance Co. of Virginia, Richmond: 8.82%; 8.41%.

• Lincoln National Pension Insurance Co., Fort Wayne, Ind.: 8.91%; 8.62% (June 27).

• Minnesota Mutual Life Insurance Co., St. Paul: 8.84%; 8.58%.

• Mutual Benefit Life Insurance Co., Newark, N.J.: 8.38%; 8.18%.

• Mutual of New York, New York: 8.64%; 8.28%.

• New York Life Insurance Co., New York: 8.75%; 8.45%.

• Ohio National Life Insurance Co., Cincinnati: 8.97%; 8.6%.

• Pacific Mutual Life Insurance

Co., Newport Beach, Calif.: 8.31%; 7.95%.

• Pan American Life Insurance Co., New Orleans: 8.98%; 8.59%.

• Penn Mutual Life Insurance Co., Philadelphia: 8.89%; 8.33%.

• Phoenix Mutual Life Insurance Co., Hartford, Conn.: 8.69%; 8.37%.

• Provident Mutual Life Insurance Co., Philadelphia: 8.67%; 8.39%.

• Provident National Life Assurance Co., Chattanooga, Tenn.: 8.01%; 8.06%.

• Southwestern Life Insurance Co., Dallas: 8.8%; 8.43%.

• State Mutual of America, Worcester, Mass.: 8.85%; 8.15%.

• Transamerica Life Insurance Co., Los Angeles: 8.52%; 8.4%.

• United of Omaha Insurance Co., Omaha, Neb.: 8.63%; no quote.

William M. Mercer Meidinger Hansen Asset Planning Inc., Chicago, surveys insurance companies for rate quotations and provided the following summary of various bullet GICs for September:

• Three-year, \$1 million, compound: high, 9%; low, 7.49%; average, 8.42%.

• Three-year, \$1 million, simple: high, 8.83%; low, 7.49%; average, 8.41%.

• Five-year, \$1 million, compound: high, 9.25%; low, 7.98%; average, 8.6%.

• Five-year, \$1 million, simple: high, 8.65%; low, 7.96%; average, 9.14%.

• Seven-year, \$1 million, compound: high, 9.13%; low, 8.04%; average, 8.61%.

• Seven-year, \$1 million, simple: high, 9.09%; low, 8.03%; average, 8.61%.

• Three-year, \$5 million, compound: high, 9%; low, 7.69%; average, 8.5%.

• Three-year, \$5 million, simple: high, 8.87%; low, 7.69%; average, 8.49%.

• Five-year, \$5 million, compound: high, 9.25%; low, 8.22%; average, 8.65%.

• Five-year, \$5 million, simple: high, 8.75%; low, 8.16%; average, 9.28%.

• Seven-year, \$5 million, compound: high, 9.18%; low, 8.24%; average, 8.67%.

• Seven-year, \$5 million, simple: high, 9.16%; low, 8.2%; average, 8.68%.

Dietrich & Associates, Blue Bell, Pa., provided the following rate spread data between a \$1 million, five-year, simple-interest GIC and the average U.S. Treasury instrument of the same maturity during the third quarter:

• July 3: GIC, 8.7%; Treasury, 8%;

• Aug. 1: GIC, 8.05%; Treasury, 7.58%;

• Sept. 1: GIC 9%; Treasury, 8.27%.

Mercer Meidinger Hansen also surveys banks for rate quotations on their guaranteed instruments. Rate quotes for one- and three-year bullet BICs for September were:

• One-year, \$1 million, compound: high, 8.7%; low, 8.08%; average, 8.42%.

• One-year, \$1 million, simple: high, 8.7%; low, 8.28%; average, 8.28%.

• One-year, \$5 million, compound: high, 8.75%; low, 8.21%; average, 8.49%.

• One-year, \$5 million, simple: high, 8.75%; low, 8.26%; average, 8.56%.

• Three-year, \$1 million, compound: high, 8.8%; low, 8.21%; average, 8.54%.

• Three-year, \$1 million, simple: high, 8.83%; low, 8.44%; average, 8.63%.

• Three-year, \$5 million, compound: high, 8.85%; low, 8.26%; average, 8.58%.

• Three-year, \$5 million, simple: high, 8.88%; low, 8.31%; average, 8.67%.



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Interest-sensitive stocks lead

By Trudy Ring

KANSAS CITY, Mo. — Stocks sensitive to interest rates led the market in the third quarter, while Yankee and foreign issues were the best performers among bonds, according to DeMarche Associates Inc.

Interest rate stocks, including utilities and financial services companies, gained 12% in price in the quarter, while the Standard & Poor's 500 Stock Index gained 9.7% in price gain only. Total return for the S&P 500 index was 10.7%. (Unless a stock return is identified as total return, the return reflects price gain only.)

For the 12 months ended Sept. 30, interest rate stocks gained 33.3% in price, compared with 27.5% for the index. The S&P 500's total return was 32.8%.

Stocks related to consumer spending, which led the market in the previous quarter, had the second best gain in the third quarter, with 9.8%. This sector is made up of companies in the food and beverage, tobacco, media, retail, lodging and restaurant industries. For the year ended Sept. 30, the group was up 39.3%, the best gain for this period.

Basic industry stocks gained 9.6% in the quarter. This category covers the metals, automotive, transportation and building materials industries. For the year, the sector gained 22.5%.

The energy and technology sectors each gained 7.6% in the quarter. The energy group, which includes domestic and international oil companies as well as oil service and equipment firms, gained 22.6% on the year. Technology, covering the aerospace, drug, electronics and office equipment industries, gained 15.8% on the year.

The top 10 industries for the quarter were forest products, up 40.2%; air transportation, up 31.6%; consumer non-durables, up 22.5%; finance, up 18.8%; tobacco, up 17.4%; containers, up 17.2%; telecommunications, up 15.5%; aluminum and copper, up 15.1%; drugs, up 15%; and insurance, up 14.1%.

The bottom 10 industries were auto parts and accessories, down 1.5%; consumer durables, up 0.01%; office equipment, up 0.2%; building materials, up 2%; electric utilities, up 3%; media, up

3.2%; electronics, up 3.4%; food packagers and processors, up 6.3%; automotive (cars and trucks), up 6.3%; and paper, up 7.2%.

The top 10 individual stocks were **UAL Corp.**, up 102.2%; **Squibb Corp.**, up 66.8%; **Nike Inc. Class B**, up 63.2%; **Holiday Corp.**, up 61.7%; **Oracle Systems Corp.**, up 58.8%; **Noxell Corp. Class B**, up 58.8%; **Tonka Corp.**, up 43.8%; **Golden West Financial Corp.**, up 43.1%; **Gap Stores Inc.**, up 42.1%; and **AMR Corp.**, up 41.5%.

DeMarche also analyzes stock performance by quality, growth and yield. As ranked by quality, below-average stocks had the quarter's best gain, 11.1%. Superior-quality stocks were up 10.6%;

average, 9.4%; and above-average, 7.4%.

As categorized by growth, stocks in companies with moderate, stable growth had the best gain, 12%. Those with high, stable growth were up 10.4%; variable growth, 9.2%; and low, stable growth, 8.3%.

As ranked by yield characteristics, stocks in the lowest quartile of the yield range had the best price gain, 13.1%. Those in the second highest quartile were up 11.4%; in the third highest quartile, 10.8%; and in the highest quartile, 6.6%.

In the bond market, Yankee and foreign issues returned 2.8% in the quarter, while the DeMarche Pension Fund Bond Index of roughly 6,000 issues returned 1.8%. All bond

figures are total return.

For the year ended Sept. 30, these issues returned 11.9%, while the index had 12.2%. Yankee and foreign bonds had the best return in the first quarter and the worst in the second quarter.

Canadian bonds returned 2.7% in the quarter and 13.7% in the year ended Sept. 30. Bonds issued by industrial companies returned 2.2% in the quarter and 11.8% on the year. Utility bonds returned 2.1% for the quarter and 13.2% for the year.

Telephone bonds were up only 1.7% in the quarter, but had the best return for the 12-month period, 14.1%, after having been the best performers in the second quarter.

U.S. government bonds trailed other sectors with a 1.1% return in the quarter. For the year, they were up 12.4%.

DeMarche also categorizes bond

performance by quality, maturity and coupon rate.

As ranked by quality, A issues had the quarter's best return, 2.1%, compared with 2% for both BAA and AA issues and 1.3% for AAA bonds.

As grouped by maturity, bonds with maturities between one and five years had the best return, 2.1%. Those with maturities of 10 to 20 years and those with 20 years or more both returned 1.6%. Bonds with maturities of five to 10 years returned 1.7%.

As measured by quality and maturity combined, AA issues with 10- to 20-year maturities had the best return, 2.3%. Returns for other categories hovered around 2%.

Bonds with coupon rates of 2.9% and below provided the best total return, 4.8%. The weighted average coupon rate in the quarter was 9.7%. ■

Fund chooses Harris Bank for lending

BATON ROUGE, La. — The \$350 million Municipal Police Employees Retirement System of Louisiana has selected Harris Trust and Savings Bank, Chicago, to manage its first venture into securities lending.

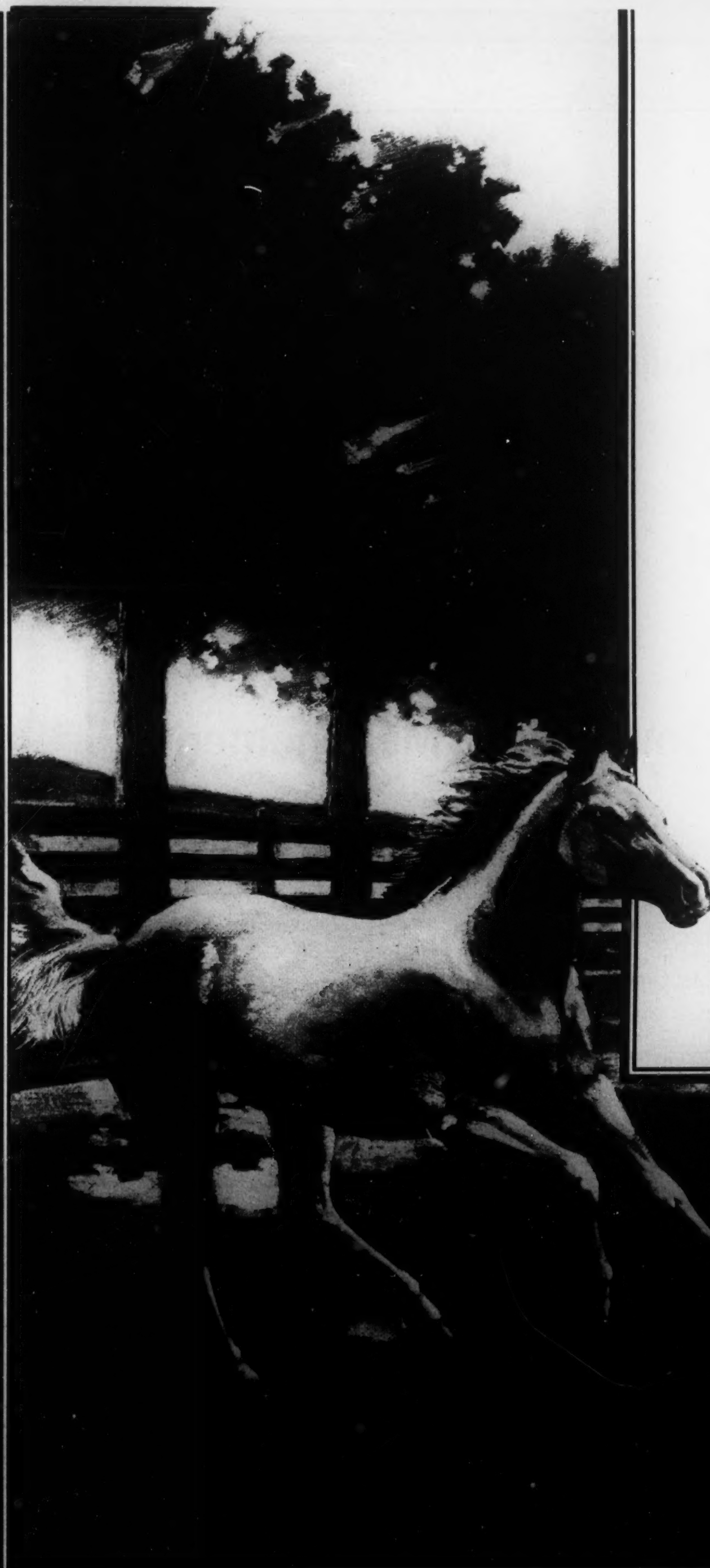
"We see other public funds doing this and it seems to provide a good source of additional income," said Jeanette Pendley, administrative director for the fund.

Ms. Pendley said the choice of Harris was made after sending proposals to 13 banks.

The fund is invested 16% in equities and the balance in fixed income.

Ms. Pendley said the fund's board of directors also decided to move toward increasing the equity stake to the 25% maximum set by state law.

SEI Corp., offices in Atlanta and Chicago assisted in the search,



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DIRECTORY

A

Analysis Group Inc.

18 Moore St., Belmont, Mass. 02178;
(617) 489-4200

Analysis Group Inc. provides proxy voting research and consulting to 15 tax-exempt institutions as well as to investment managers.

Significant changes or developments at the firm in the past year include the opening of an office in

Washington.

Fees are payable in both hard and soft dollars.

James E. Heard, managing director, is the client contact.

The firm's subsidiary, AG Risk Management, provides asset allocation and manager selection consulting services. The client contact is Harin DeSilva, who may be reached at (714) 553-8099.

The institutional investment roundtable will be published in the Dec. 25 edition of *Pensions & Investment Age*.

B

Bailard Biehl & Kaiser Inc.

2755 Campus Drive, San Mateo,
Calif. 94403; (415) 571-5800

Bailard Biehl & Kaiser Inc. provides overall development of global asset allocation.

Of the nine tax-exempt clients on retainer, six are corporate and three are public.

There are four professional consul-

nants. Fees are payable in hard and soft dollars.

The firm provides the following investment vehicles: separate account management, mutual funds and the BB&K International Fund.

Tax-exempt retainer clients include Bechtel, Ameritech, California Public Employees and Hughes Aircraft.

Brian E. Schaefer, vice president, is client contact.

BARRA

1995 University Ave., Suite 400,
Berkeley, Calif. 94704; (415)
548-5442

BARRA provides overall develop-

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ment of investment policies/objectives and of appropriate asset allocation. Performance measurement and additional analysis are offered for U.S., international, private placement, futures/options and GIC investments.

The firm also offers global portfolio risk analysis and optimization; asset allocation tools; currency risk modeling; multiple manager analysis; normal portfolio construction and library; customized valuation and risk models; and seminars and newsletters.

The firm provides U.S. and international equity and fixed-income analyses; risk models of the world's major capital markets; and value-added consulting to the investment management industry.

The firm has special expertise in quantitative investment consulting.

Significant changes or developments at the firm in the past year include the opening of a Toronto office.

Of the 40 tax-exempt clients on retainer, 26 are corporate, 12 are public and two are foundation or endowment funds.

There are 80 professional consultants. Fees are payable in hard and soft dollars.

Barbara Hodges, manager of marketing communications, is client contact.

Beacon Hill Financial Corp.

19 Elm St., Cohasset, Mass. 02025;
(617) 383-2300

Beacon Hill Financial Corp. provides manager selection for venture capital, LBO and private placement investments. It also provides private market investment brokerage.

The firm provides private placement product development and distribution to the investment management industry.

The firm has special expertise in leveraged acquisition funds; restructuring funds; venture capital (domestic and international); and European/Asian acquisition funds.

Significant changes or developments at the firm in the past year include the development of a major fund to acquire European businesses.

The firm provided services to an estimated 50 long-term, non-retainer clients. The firm provided services to 25 non-retainer clients in the past year.

There are three professional consultants. Fees are payable in hard dollars.

Financial services provided are investment banking advice, brokerage and product development.

Robert F. Johnston, president, is client contact.

E.M. Beam & Associates

12813 E. Paul, Clovis, Calif. 93612;
(209) 299-4152

E.M. Beam & Associates, a subsidiary of Morgan Olmstead Kennedy & Gardner Inc., provides overall development of investment policies/objectives and of appropriate asset allocation; U.S. investment manager selection, performance measurement and additional analysis; and trustee/manager quarterly record resolution.

The firm has special expertise in simplified reporting to meet client needs.

There are two professional consultants. Fees are payable in hard and soft dollars.

Ed Beam, vice president-fiduciary information development, is client contact.

Social investing will be covered in the Nov. 27 issue of *Pensions & Investment Age*.



For a step-by-step account, please write the address below for your copy of the 1989 Norfolk Southern Annual Report.

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When the winds of change stir the economy, a corporation can maintain its momentum if it measures each step carefully.

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DIRECTORY

Becker, Burke Associates

221 N. LaSalle, Suite 1000, Chicago,
Ill. 60601; (312) 782-5665

Becker, Burke Associates Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. It provides manager selection and performance measurement for U.S. and international/global, real estate, venture capital, leveraged buy-out, private placements, futures/options and GIC investments. In addition, Customized Performance Standards, performance-based fees, manager structure consulting and performance attribution are offered.

The firm provides performance evaluation to the investment management industry.

It has special expertise in investment policy, manager searches and performance evaluation.

Significant changes or developments at the firm in the past year

include the start of two new products: manager structure analyses and performance attribution.

Of the 31 tax-exempt clients on retainer, 12 are corporate, 13 are public, three are union and three are foundation or endowment funds. The firm also provided services to eight non-retainer clients in the past year, of which five were corporate and three were public.

There are four professional consultants. Fees are payable in hard and soft dollars.

Becker Burke also offers Blue Cross/Blue Shield reserve assets consulting services.

Tax-exempt retainer clients include Nalco Chemical, Chicago Municipal Workers, Perkin-Elmer and Vermont.

E.M. Burke, president, and H.H. Pohl and R.J. Surz, principals, are client contacts.

The Book of Lists will appear in the Dec. 25 issue.

Berg Fiduciary Consultants

363 Westchester Ave., Port Chester,
N.Y. 10576; (914) 937-7111

Berg Fiduciary Consultants Inc., an affiliate of Plan Sponsor Network Inc., provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement are offered for U.S., international/global, real estate, venture capital, futures/options and GIC investments. Additional analysis is offered for U.S. and international/global investments.

The firm also offers the Plan Sponsor Network's U.S. and global manager data bases.

The firm has special expertise in asset allocation, manager searches, performance measurement and tailored peer group universe ranking.

Significant changes or developments at the firm in the past year include the addition of Steven C. Case

as a senior consulting principal.

Of the 14 tax-exempt clients on retainer, seven are corporate, five are union and two are foundation or endowment funds. The firm also provided services to two long-term, non-retainer tax-exempt clients during the past year, one corporate and one public.

There are two professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt retainer clients include Atlanta Plumbers & Steamfitters, Insilco, LPL Technologies and White Plains Hospital.

Paul E. Berg, president, is client contact.

Berla Investment Consulting

43 Quail Court, Suite 108, Walnut
Creek, Calif. 94596; (415)
947-0326

Berla Investment Consulting provides overall development of investment policies/objectives and of appro-

appropriate asset allocation. Manager selection and performance measurement is offered for U.S., international/global, real estate, venture capital, LBO, private placement, futures/options and GIC investing. Additional performance analysis is available for U.S., international/global, LBO, private placement, futures/options and GIC investing.

The firm has special expertise in investment performance measurement and analysis.

Of the 20 tax-exempt clients on retainer, nine are corporate, three are public, five are union and three are foundation or endowment funds. The firm also provided services to two long-term, non-retainer clients, of which one is corporate and one is union.

One other corporate non-retainer client received services during the past year.

There are two professional consultants. Fees are payable in hard dollars.

Tax-exempt retainer clients include Merritt Peralta Medical Center, IBEW Local 100, Santa Barbara Savings & Loan and Valley Memorial Hospital.

George A. Berla is client contact.

Alan D. Biller & Associates

P.O. Box 30, Palo Alto, Calif.
94302-0030; (415) 328-7283

Alan D. Biller & Associates Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement is offered for U.S., international/global, real estate, venture capital, LBO, private placements, futures/options and GIC investing.

The firm also serves as plan fiduciary.

The firm provides licensing and sales of PensionOptions — a PC-based asset, contributions and asset/liability optimization software package — to the investment management industry.

The firm has special expertise in relating investment decisions to all other trustee concerns, including funding, plan design and operational efficiency.

There are two union clients on retainer. The firm also provided services to two non-retainer tax-exempt clients during the past year, of which one was corporate and one was union.

There are two professional consultants. Fees are payable in hard dollars.

Tax-exempt retainer clients are the Western Conference of Teamsters and ILWU-PMA.

Alan D. Biller is client contact.

Brentwood Asset Advisors

520 Broadway, Suite 250, Santa
Monica, Calif. 90401; (213)
393-8897

Brentwood Asset Advisors Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. The firm provides manager selection and additional performance analysis of GIC investing, placement of GIC/BICs and annuities, and portfolio, credit and contract analyses.

The firm provides placement of GIC/BIC contracts and portfolio, contract and credit analyses to the investment management industry.

The firm has special expertise in GIC/BIC contract analysis, portfolio analysis and yield enhancement.

The firm has 10 corporate tax-exempt clients on retainer. The firm has 100 long-term, non-retainer clients, of which 85 are corporate, 15 are public and five, union. The firm also provided services to 150 other non-retainer tax-exempt clients during the past year, of which 130 were corporate, 15 were public and five were union.

There are five professional consultants.

Fees are payable in hard and soft dollars.

C. Jason Psome, senior vice president, is client contact.

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DIRECTORY

Brock/Daniels Group

Suite 900, The Financial Center, 505
N. 20th St., Birmingham, Ala.
35203; (205) 250-5640

Brock/Daniels Group, a subsidiary of The Robinson-Humphrey Co. Inc., provides overall development of investment policies/objectives and of appropriate asset allocation. It offers U.S. manager selection, performance measurement and analysis. All reporting is provided monthly.

The firm has special expertise in serving middle market accounts, ranging from \$1 million to \$40 million.

Of the 50 tax-exempt clients on retainer, 46 are corporate and four are foundation or endowment funds. The firm also has 150 corporate long-term, non-retainer tax-exempt clients.

There are four professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt retainer clients include Bruno's, Big B Drugs, Vulcan Materials

and the Catholic Diocese of Memphis. John G. Brock and George V. Daniels, senior vice presidents, are client contacts.

Buck Pension Fund Services

2 Pennsylvania Plaza, New York, N.Y.
10121; (212) 330-1248

Buck Pension Fund Services Inc., a subsidiary of Buck Consultants Inc., provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection is offered for U.S., international/global, real estate, venture capital, futures/options and GIC investing. Performance measurement is offered for U.S., international/global, real estate and venture capital services; and additional performance analysis is offered for U.S., international/global, real estate and GIC investing.

The firm provides construction of asset list normal portfolios to the investment management industry.

The firm has special expertise in asset/liability studies; equity and fixed-income performance analysis and attribution; total fund analysis; and GIC placement.

Of the 32 tax-exempt clients on retainer, 27 are corporate and five are public. The firm provided services to four long-term, non-retainer tax-exempt clients during the past year, of which three were corporate and one was a foundation or endowment fund. The firm provided service to 16 other corporate, non-retainer clients during the past year.

There are seven professional consultants. Fees are payable in hard and soft dollars.

William H. Overgard, director-investment consulting services, is client contact.

Profiles of the largest pension funds will be published in the Jan. 22 issue.

C

Callan Associates Inc.

71 Stevenson St., Suite 1300, San Francisco, Calif. 94105; (415) 974-5060

Callan Associates Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. It provides manager selection and performance measurement for U.S., international/global, real estate, venture capital, LBO, private placements, futures/options and GIC investing. Additional performance analysis is offered for U.S., international/global and real estate investing.

The firm also offers portfolio audit services; equity and fixed-income style analysis; performance attribution anal-

ysis; manager structure analysis; trading cost analysis; PC-based software planning tools; educational services; development of real estate guidelines and policy; real estate program administration and management; and development of international guidelines and policy.

The firm provides manager style analysis; investment measurement; portfolio monitoring; trading cost analysis; performance attribution analysis; presentation consulting; and special projects to the investment management industry.

The firm has special expertise in strategic planning; real estate program administration and management; international investment consulting; portfolio audits; educational services; nuclear decommissioning fund consulting; and transition management.

Significant changes or developments at the firm in the past year include the formation of Callan International Consulting Services division.

Of the 205 tax-exempt clients on retainer, 68 are corporate, 44 are public, 35 are union, 17 are foundation or endowment funds and 41 are in miscellaneous categories, including associations and hospitals. The firm also provided services to 26 non-retainer tax-exempt clients during the past year, of which 14 were corporate, six were public, two were union, one was a foundation or endowment fund and three were miscellaneous.

There are 27 professional consultants. Fees are payable in hard or soft dollars.

Ronald D. Peyton, president and chief operating officer, is client contact.

Cambridge Associates Inc.

1 Financial Center, Boston, Mass.
02111; (617) 439-3232

Cambridge Associates Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement is offered for U.S., international/global, real estate, venture capital, LBO, private placements, futures/options and GIC investing. Additional performance analysis is offered for all of the areas above, except GICs.

The firm also offers extensive investment and financial planning research reports to all clients.

The firm has special expertise in financial and investment consulting for non-profit institutions, as well as in its coverage of real estate, venture capital, global and other non-traditional asset classes.

There are 264 tax-exempt clients on retainer.

There are 23 professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include Harvard University, Metropolitan Museum, MacArthur Foundation and the University of Texas.

David B. Thurston is client contact.

The Capital Control Group

750 Lake-Cook Road, Buffalo Grove, Ill. 60089-2068; (708) 459-4770

The Capital Control Group Ltd. provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection is offered for U.S., international/global, real estate, venture capital and GIC investing. Performance measurement is offered for U.S., international/global and real estate investing, with additional performance analysis offered for U.S. and real estate investing.

The firm also consults on social and job-creating investments for Taft-Hartley and municipal plans.

The firm has special expertise in serving Taft-Hartley plans.

Significant changes or developments at the firm in the past year include the move to a larger building and the institution of a commission recapture program.

The firm has 42 long-term, non-retainer tax-exempt clients, of which 20

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DIRECTORY

are corporate, two are public and 20 are union. It provided service to 66 other non-retainer tax-exempt clients during the past year, of which 30 were corporate, one was public and 35 were union.

There are five professional consultants. Fees are payable in hard or soft dollars.

Financial services provided are investment banking, brokerage and employee benefit consulting, including health, life and disability insurance.

Tax-exempt retainer clients include Local 219 Plumbers and Pipefitters, Local 85 Plumbers and Pipefitters, RMH Associates and Bus.

Jay B. Rosen, president, is client contact.

Capital Trust Co.

4380 S.W. Macadam Ave., Suite 450,
Portland, Ore. 97201; (503)
228-2300

Capital Trust Co., a subsidiary of

Harris & Harris Group Inc., provides overall development of investment objectives/policies and of appropriate asset allocation. It offers manager selection and performance measurement for U.S., international/global, real estate, venture capital and GIC investing. Tactical asset allocation consulting also is offered.

The firm has special expertise in strategic asset allocation and the development and implementation of investment policy.

Significant changes or developments at the firm in the past year include the addition of Nancy L. Jacob as a vice president.

Of the nine tax-exempt clients on retainer, five are corporate, two are public and two are foundation or endowment funds. The firm also provided services to three corporate non-retainer tax-exempt clients during the past year.

There are three professional consultants. Fees are payable in hard dol-

lars.

The firm offers 11 pooled funds managed by outside investment advisers.

Plan administration services also are offered.

Tax-exempt retainer clients include Colorado Public Employees, Pacific Power & Light, Red Lion Inns and Payless Drug Stores Northwest.

Ralph C. Rittenour Jr., managing director, and Karen H. Sheridan, vice president, are client contacts.

The Carmack Group Inc.

201 S. Lake Ave., Suite 403,
Pasadena, Calif. 91101; (818)
449-0721

The Carmack Group Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement is offered for U.S., international/global, real estate, venture capital, futures/options

and GIC investing. Additional performance analysis is offered for U.S., real estate, venture capital, futures/options and GIC investing.

The firm also offers development of relevant benchmarks and normal portfolios.

The firm provides performance measurement and the development of relevant benchmarks and normal portfolios to the investment management industry.

The firm has special expertise in the development of relevant benchmarks and analytical analyses.

Significant changes or developments at the firm in the past year include the completion of comprehensive analyses of TAA/AAA portfolios and convertible securities portfolios.

Of the 20 tax-exempt clients on retainer, 17 are corporate and three are foundation or endowment funds. The firm has four corporate, long-term, non-retainer tax-exempt clients, and also provided services to one founda-

tion or endowment non-retainer tax-exempt client during the past year.

There are 12 professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include the California Institute of Technology, The Common Fund, Loyola Marymount University and Lear Siegler Diversified Holdings.

James A. Carmack, president, is client contact.

CDA Investment Technologies Inc.

1355 Piccard Drive, Rockville, Md.
20850; (301) 975-9600

CDA Investment Technologies Inc., a subsidiary of The Thomson Corp., provides overall development of appropriate asset allocation. It offers U.S. manager selection and performance measurement and analysis. It also offers performance measurement and analysis for international/global investment.

The firm provides guidance in asset allocation development; U.S. manager evaluation; and domestic performance measurement and analysis to the investment management industry.

The firm has special expertise in on-line and PC systems, and performance measurement and universe comparisons.

The firm has 195 long-term, non-retainer tax-exempt clients, of which 180 were corporate, eight were public, three were union and four were foundation or endowment funds.

There are 15 professional consultants. Fees are payable in hard or soft dollars.

James Warren, vice president, is client contact.

Collins Associates

840 Newport Center Drive, Newport
Beach, Calif. 92660; (714)
644-5771

Collins Associates provides overall development of investment objectives/policies and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S., international/global, real estate, venture capital, LBO, futures/options and GIC investing.

The firm also offers consulting services on pre-funding of post-retirement health care benefits.

The firm has special expertise in researching the entire universe of investment managers, with specialized research on the high-performing, small investment manager.

Of the 20 tax-exempt clients on retainer, 16 are corporate and four are foundation or endowment funds.

There are nine professional consultants. Fees are payable in hard dollars.

The firm manages investment managers for clients on a discretionary, as well as advisory, basis.

Tax-exempt retainer clients include FMC, Sunkist Growers, the University of Texas and Xerox.

Donald W. Leahy is client contact.

Colonial Consulting Corp.

610 Fifth Ave., Suite 420, New York,
N.Y. 10020; (212) 307-1830

Colonial Consulting Corp. Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S., international/global, real estate, venture capital, LBO, private placements, futures/options and GIC investing.

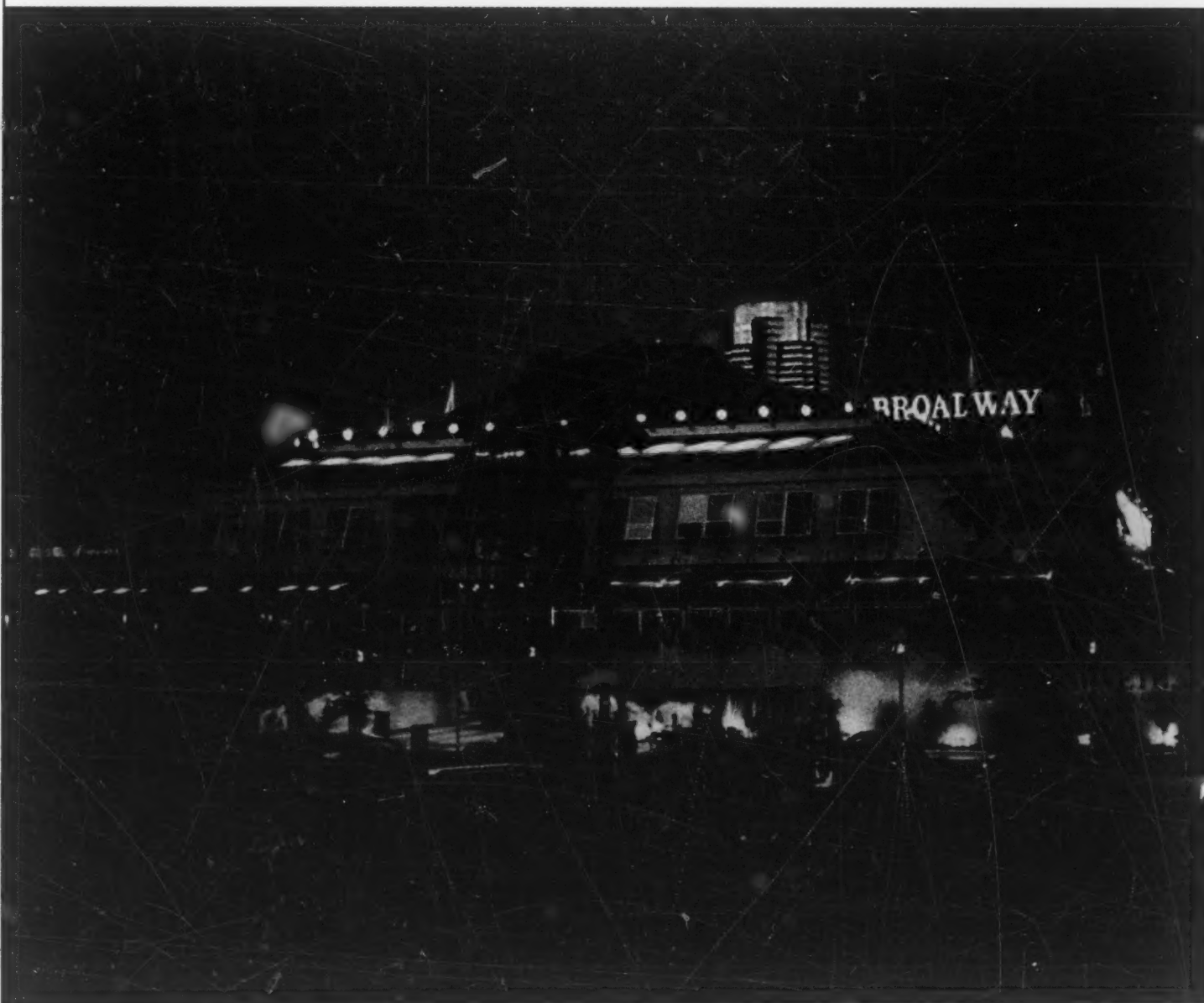
The firm also offers special analyses, including research papers, selected manager data bases, customized graphs and reports, and forecasting models.

The firm provides an endowment and foundation data base/index to the investment management industry.

The firm has special expertise in endowment and foundation investment policy issues and investment manager/bank custody account reconciliation.

The firm has 12 tax-exempt clients

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RREEF doubled the number of tenants, yet only increased the property's actual size by 13%.

Average comparable mall shop sales grew from \$295.00 per square foot in 1983 to \$430.00 in 1988.

1988 total mall shop sales increased by 40% over 1987, resulting in a 70% increase in net income.

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San Francisco
Paul Sack
(415) 781-3300

Chicago
Donald A. King, Jr.
(312) 266-9300

New York
Peter Steil
(212) 688-3900

RREEF
The RREEF Funds

Real Estate. Real Results.

DIRECTORY

on retainer.

There are eight professional consultants. Fees are payable in hard or soft dollars.

John Goodrich, president; Steve Grant, director of manager evaluations; and Beth Cash, consultant, are client contacts.

Consulting Services Group

80 Monroe Ave., Suite 800, Memphis, Tenn. 38103; (901) 525-8080

Consulting Services Group Inc., a subsidiary of Furman Selz Mager Dietz & Birney — a Xerox Financial Services company — provides overall development of investment policies/objectives and of appropriate asset allocation. It provides manager selection and performance measurement and analysis for U.S., international/global, real estate, futures/options and GIC investing. Venture capital and private placements performance analysis is done on client request.

The firm provides preparation of quarterly investment adviser performance reports to the investment management industry.

The firm has special expertise in goal and objective setting; asset allocation study, recommendation and implementation; performance measurement reporting; historical reviews; and investment adviser search and selection processes.

Significant changes or developments in the past year include the addition of 14 employees and the opening of an office in Savannah, Ga.

Of the 26 tax-exempt clients on retainer, eight are corporate, nine are public and nine are foundation or endowment funds. There are nine long-term, non-retainer tax-exempt clients, of which eight are corporate and one is union.

There are 10 professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include

Shelby County Retirement Systems, Memphis Light Gas and Water, Chattanooga Fire and Police, and the Electric Power Board of Chattanooga.

Fred J. Hodges, managing director, is client contact.



Dahab Associates Inc.

52 Nassau Ave., Islip, N.Y. 11751; (516) 277-8301

Dahab Associates Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis is offered for U.S., international/global, real estate, venture capital and GIC investing.

The firm has special expertise in customized computer models and customized performance measurement reports.

Of the 30 tax-exempt clients on retainer, 13 are corporate, five are public, eight are union and four are foundation or endowment funds. There are two foundation/endowment long-term, non-retainer clients. The firm also provided services to one corporate non-retainer tax-exempt client during the past year.

There are two professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include the Guideposts, the Pennsylvania Municipal Retirement Board, SONAT and Norfolk Employees.

Richard E. Dahab, president, is client contact.

The directory of investment advisers will be published May 21.

Dain Bosworth Investment Management Group

100 Dain Tower, Minneapolis, Minn. 55402; (612) 371-2707

Dain Bosworth Investment Management Group, a division of Dain Bosworth Inc., provides consulting services through its network of approximately 80 brokers.

Overall development of investment policies/objectives and of appropriate asset allocation is offered. Manager selection and performance measurement are offered for U.S., international/global and GIC investing.

Significant changes or developments in the past 12 months include the addition of two professional consultants and an updated data base.

The group has 15 professional consultants, offering services to 138 retainer and 284 long-term, non-retainer, tax-exempt clients.

These totals do not include the figures reported below.

Fees are payable in hard or soft dollars.

Betsy Swiderski, vice president-financial services, is client contact.

Additional consulting services are offered through three subsidiaries.

- Asset Management Search Consultants offers overall development of investment policies/objectives and of appropriate asset allocation. U.S. manager selection and performance measurement is offered. In addition, risk tolerance, FASB 87 compliance and performance attribution services are provided. The firm has special expertise in asset allocation.

The firm has 13 tax-exempt clients on retainer, of which 12 are corporate and one is a foundation or endowment. Tax-exempt retainer clients include Criton, Westmark International, Lutheran Bible Institute and Allied Body.

The group has one professional consultant.

Stephen L. Kessler, vice president, is client contact at (206) 462-5062.

- The Investment Management Consulting Group offers overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement is offered for U.S., international/global and GIC investing. The firm also offers portfolio optimization studies and corporate cash management consulting. It specializes in tactical asset allocation and corporate cash investing.

There are 30 tax-exempt clients on retainer, of which 19 are corporate, one is union and nine are foundation/endowment.

The firm also has 50 long-term, non-retainer tax-exempt clients, of which 49 are corporate and one is foundation/endowment.

Clients include GI-Joes, MARCO, PENWEST and United Finance.

The group has three professional consultants.

Tony Arnerich and Bryn Torkelson, vice presidents, are client contacts at (503) 241-7558.

- Money Manager Consulting Group offers overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis is offered for U.S., international/global, futures/options and GIC investing. The firm also provides determination of risk levels and performance attribution.

It offers the ability to trade on the institutional desk at zero transaction cost to the investment management industry.

The firm specializes in cash reserve management.

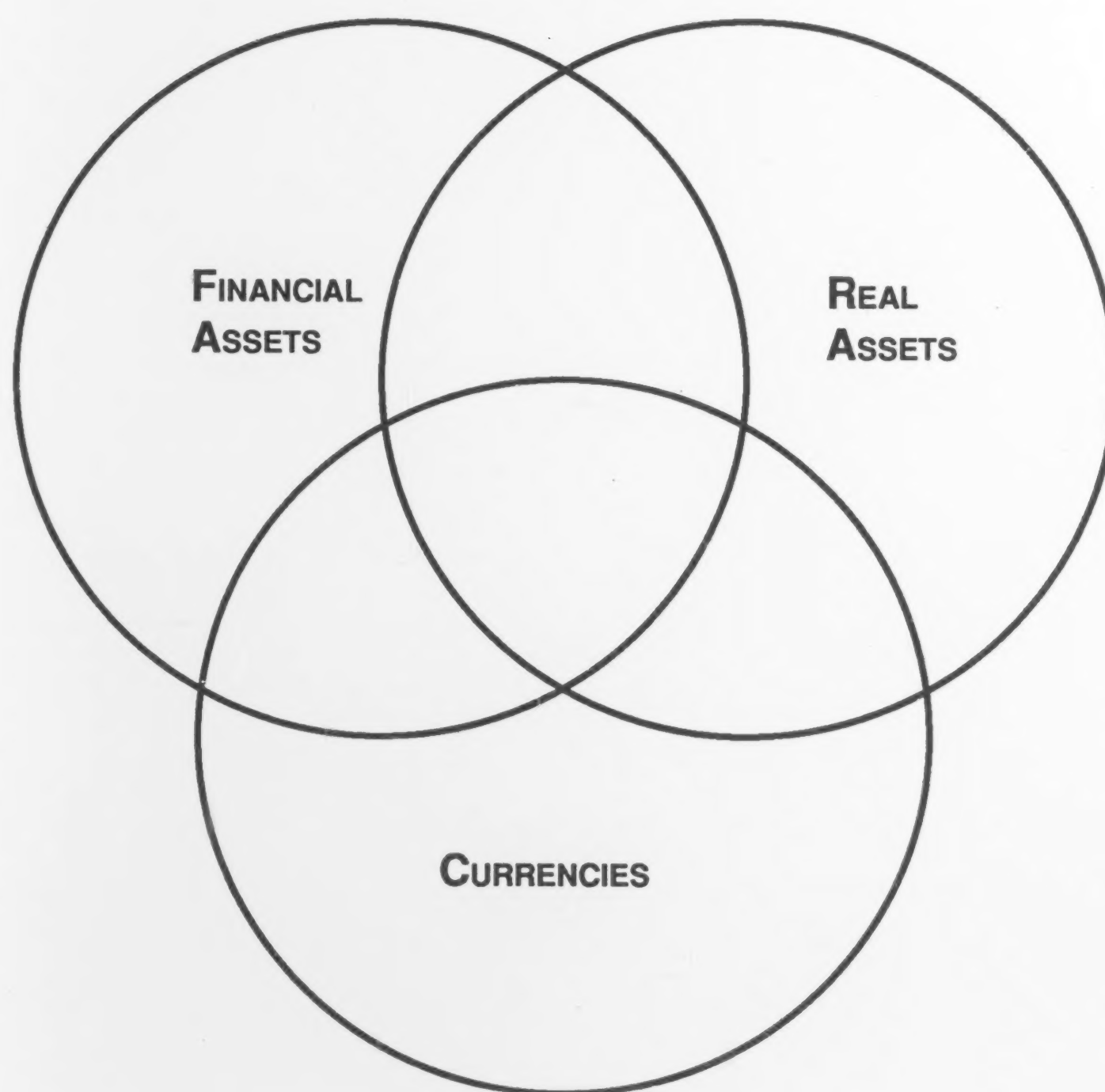
There are 26 tax-exempt retainer clients, of which 25 are corporate and one is union. It also provided services during the past year to 113 tax-exempt non-retainer clients, of which 69 were corporate, 41 were public, one was union and two were foundation/endowment.

The group has three professional consultants.

Tom Wede, managing principal, is client contact at (206) 462-5061.

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Chase Investors Management Corporation New York
A subsidiary of The Chase Manhattan Corporation



DIRECTORY

Davies Investment Associates Inc.

P.O. Drawer 56246, 215 Piedmont Ave. N.E., Suite 1009, Atlanta, Ga. 30343; (404) 525-7541

Davies Investment Associates Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection is offered for U.S., international/global, real estate and GIC investing. Performance measurement is available for all these services except GIC consulting. Performance analysis is available for U.S. investing.

Of the 10 tax-exempt clients on retainer, five are corporate and five are public. There are 15 long-term, non-retainer tax-exempt clients, of which seven are corporate and eight are public. The firm provided services to three other non-retainer tax-exempt clients during the past year, of which one was corporate and two were public.

There is one professional consul-

tants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include Browning-Ferris Industries, City of Sioux Falls and the City of Wichita. James J. Davies is client contact.

DeMarche Associates Inc.

1900 W. 47th Place, Suite 300, Westwood, Kan. 66205; (913) 384-4994

DeMarche Associates Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement is offered for U.S., international/global, real estate, venture capital, LBO and GIC investing.

The firm provides performance evaluation and performance comparison data within managers' peer or style groups to the investment management industry.

The firm has special expertise in re-

search, particularly in performance attribution.

Of the 138 tax-exempt clients on retainer, 68 are corporate, 26 are public, eight are union and 36 are foundation or endowment funds.

There are 18 professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include Baxter International, Emerson Electric, Inland Steel and Missouri Public School Retirement.

Steve Farrell, vice president, is client contact.

Dorn Helliesen Inc.

300 Tamal Plaza, Suite 270, Corte Madera, Calif. 94925; (415) 924-1200

Dorn Helliesen Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis

are offered for U.S., international/global, real estate, venture capital and GIC investing.

The firm places emphasis on evaluation and analysis as a fiduciary; traditional portfolio management is de-emphasized.

The firm has special expertise in policy and guidelines, and manager searches and evaluations.

Of the 12 tax-exempt clients on retainer, seven are corporate, four are public and one is union. There are six long-term, non-retainer tax-exempt clients, of which four are corporate, one is public and one is union.

There are five professional consultants. Fees are payable in hard dollars.

Tax-exempt retainer clients include Idaho, Contra Costa County, Albertsons and the Retail Clerks of Washington.

Robert Helliesen, principal, is client contact in the California office. Douglas Dorn, principal, is client contact in the Boise, Idaho office, at (208) 344-9200.

E

Effron Enterprises Inc.

363 Westchester Ave., Port Chester, N.Y. 10573; (914) 939-0200

Effron Enterprises Inc. provides manager selection and performance measurement and analysis for U.S. and international/global investing. Performance measurement and analysis also is offered for futures/options and GIC investing.

The firm also offers statistical analysis, hybrid and customized indexes and portfolio strategies.

The firm provides performance measurement analysis, portfolio accounting, customized projects and manager data bases to the investment management industry.

The firm has special expertise in performance measurement, portfolio accounting, international investment theory and customized investments.

Significant changes or developments at the firm in the past year include the development of analysis and support for small funds.

The firm provided services to 130 non-retainer tax-exempt clients during the past year, of which 118 were corporate, six were public, one was union and five were foundation or endowment funds.

There are seven professional consultants. Fees are payable in hard or soft dollars.

Stephen J. Klein, vice president, is client contact.

Ennis, Knupp & Associates

10 S. Riverside Plaza, Suite 700, Chicago, Ill. 60606; (312) 715-1700

Ennis, Knupp & Associates provides overall development of investment policies/objectives and of asset allocation. Manager selection and performance measurement and analysis is offered for U.S., international/global, real estate, venture capital, LBO, private placement, futures/options and GIC investing.

The firm also offers capital markets research, manager style analysis and securities lending analysis.

The firm has special expertise in foreign investment, currency hedging, real estate and venture capital.

Significant changes or developments at the firm in the past year include the opening of an office in Florham Park, N.J.

The firm has 32 tax-exempt clients on retainer and one long-term, non-retainer tax-exempt client. It provided services to seven other non-retainer tax-exempt clients during the past year.

There are 20 professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include Georgia-Pacific, Chicago Police, Central Pension Fund (IUOE) and the MacArthur Foundation.

James E. Knupp, principal, is client contact.

Evaluation Associates Inc.

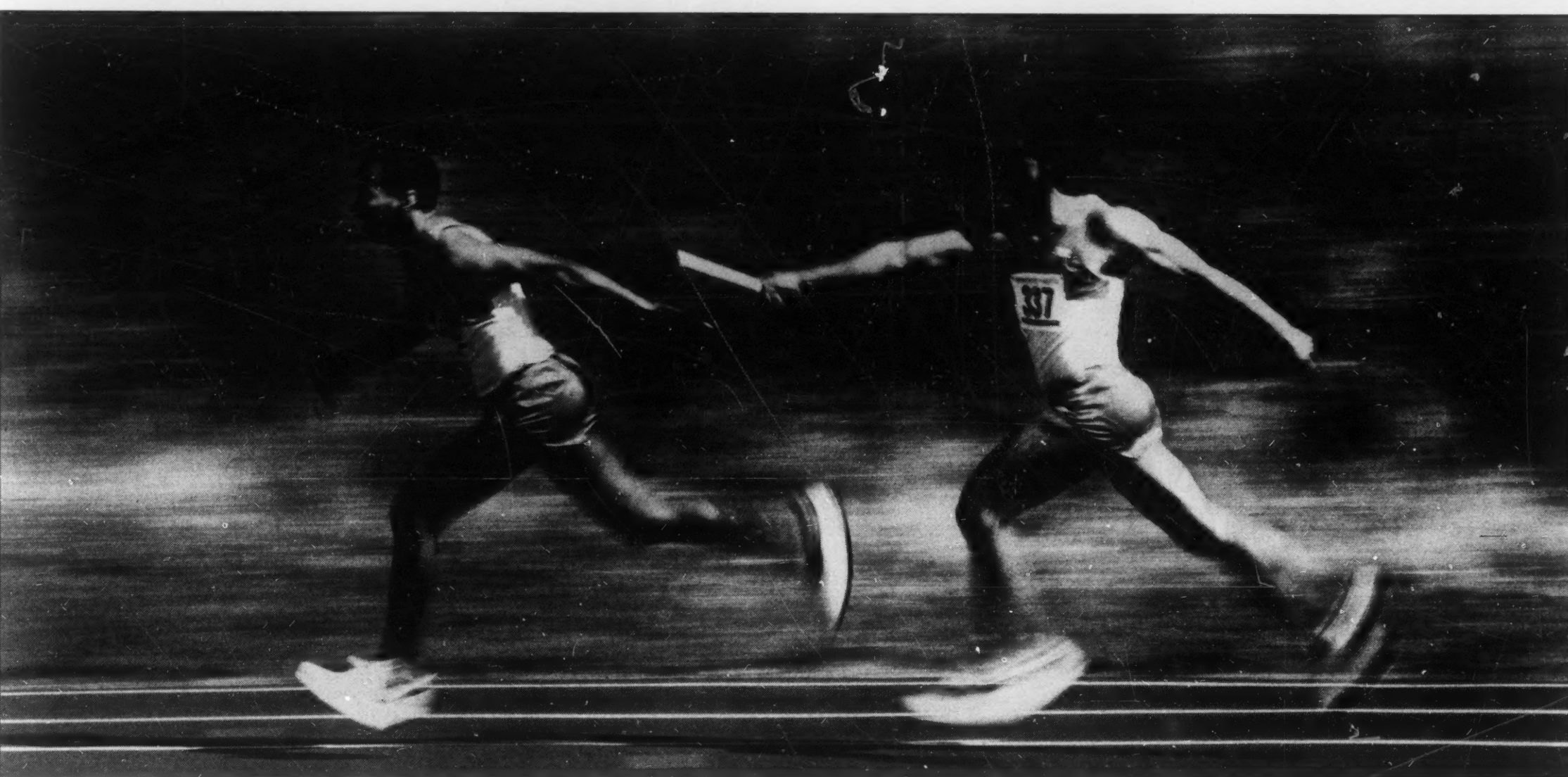
200 Connecticut Ave., Norwalk, Conn. 06854; (203) 855-2200

Evaluation Associates Inc., a subsidiary of MONY Financial Services, offers overall development of investment policies/objectives and of appropriate asset allocation.

The firm provides manager selection and performance measurement for U.S., global/international, real estate, venture capital, LBO, private placement, futures/options and GIC investing. Additional performance analysis is offered for U.S., global/international and real estate investing.

The firm also provides publications profiling more than 300 investment firms.

It has special expertise in evaluating and selecting managers.



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*Data quoted represents past performance. Investment return and principal value will fluctuate and redemption value may be more or less than original cost.

Twentieth Century Securities provides Institutional Marketing and Service for Twentieth Century Investors.

 DIRECTORY

Significant changes or developments during the past year include the acquisition of Investment Management Controls, another Norwalk-based consulting firm.

Evaluation Associates has 75 tax-exempt retainer clients, of which 43 are corporate, 10 are public, three are union and 19 are foundations/endowments. In the past 12 months, the firm also provided services to 19 tax-exempt non-retainer clients, of which 11 were corporate, one public, two union and five foundations.

The firm employs nine professional consultants. Fees are payable in hard or soft dollars.

It offers 12 multiple-manager mutual funds to bank clients and customized multiple-manager funds to plan sponsors.

Tax-exempt retainer clients include Colgate Palmolive, Time Warner, City of Baltimore and Pennsylvania Public Schools.

Robert B. Mayerick, vice president, is client contact.



Robert Gentry & Associates
7473 E. Butler Drive, Building B,
Scottsdale, Ariz. 85258; (602)
998-8046

Robert Gentry & Associates Ltd. provides overall development of investment policies/objectives and of asset allocation. Manager selection is offered for U.S., international/global, real estate, venture capital, futures/options and GIC investing. Performance measurement and analysis also is offered for those areas as well as private placements. Performance analysis is offered for LBO investments.

The firm also offers optimal risk/return relationships effecting asset allocation, and analysis of professional

management capability and source of investment returns.

The firm provides mutual fund dynamics to the investment management industry.

The firm has special expertise in performance measurement; risk/return optimization for asset balance; manager selection; determination of investment objectives; and analysis of peer group performance.

Significant changes or developments at the firm in the past year include the development of an optimal risk/return program; analysis of manager dynamics for selection function; and more definitive peer group analysis.

Of the 108 tax-exempt clients on retainer, 101 are corporate, two are public, one is union and four are foundations/endowments. There are two corporate long-term, non-retainer tax-exempt clients. The firm also provided services to three other non-retainer tax-exempt clients during the

past year, of which two were corporate and one was a foundation or endowment.

There are 16 professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include Delaware Employees', ICI Americas, Nissan Motors and McKee Baking.

Steven Jeffries, vice president, is client contact.



Hamilton & Co. Inc.
101 Carnegie Center, Princeton, N.J.
08540; (609) 452-0300

Hamilton & Co. Inc. provides overall development of investment policies/objectives and of asset allocation.

Manager selection and performance measurement and analysis is offered for U.S., international/global, real estate, venture capital, private placements, futures/options and GIC investing.

The firm also offers "Sharpshooter," a monitoring and reconciliation service that checks all activities in the custodial and investment management area.

The firm has special expertise in value-added investment consulting.

Significant changes or developments at the firm in the past year include the addition of two consultants to the firm.

Of the 51 tax-exempt clients on retainer, 25 are corporate, two are public, six are union and 18 are foundation or endowment funds.

There are 11 professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include the American Automobile Association,



Gifford Fong Associates
1600 Riviera Ave., Suite 285, Walnut
Creek, Calif. 94596; (415)
932-1910

Gifford Fong Associates, a subsidiary of Prudential Insurance Co., provides overall development of investment policies/objectives and of asset allocation. Performance measurement and analysis is offered for U.S., international/global, private placement and GIC investing. Performance analysis also is offered for futures/options investing.

The firm also offers time-weighted rate of return for performance measurement, providing components of return and bogey performance comparison; index tracking with value enhancement; and portfolio immunization and cash-flow matching.

The firm provides term structure analysis; bond valuation; dynamic asset allocation, without forecasting; return simulation; equity performance; risk analysis; and indexing and return attribution to the investment management industry.

The firm has special expertise in development of state-of-the-art market analysis and application to practical portfolio management.

Significant changes or developments at the firm in the past year include the conversion of some computer systems to the OS/2 operating environment and the development of interactive systems.

There are 12 professional consultants. Fees are payable in hard or soft dollars.

Theresa Conroy, manager, is client contact.

Fund Evaluation Group Inc.
414 Walnut St., Suite 812, Cincinnati,
Ohio 45202; (513) 977-4400

Fund Evaluation Group Inc. provides overall development of investment policies/objectives and of asset allocation. Manager selection and performance measurement is offered for U.S. and international/global investing. Additional performance analysis is offered for U.S. investing.

The firm has special expertise in performance evaluation and manager selection for insurance companies.

Of the 64 tax-exempt clients on retainer, 32 are corporate, one is public, five are union and 26 are foundation or endowment funds.

There are four professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include Indiana University Foundation, Wolverine World Wide, Michigan Legislative Retirement System and Michigan State University Foundation.

H. Bradley Eden, president, is client contact.

You don't have to be a mountain climber to appreciate that kind of advice. It applies to the bond business as well.

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DIRECTORY

Fairfax County Educational Employees, TECO Energy and Pan American Corp.

Susan C. Lohuis and Neil T. Johnson, managing directors, are client contacts.

Hammond & Hammond Investment Advisory Research Services

P.O. Box 3567, Bellevue, Wash.
98009; (206) 451-2600

Hammond & Hammond Investment Advisory Research Services, a partnership within Dean Witter Reynolds, provides overall development of investment objectives/policies and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S. investing.

The firm offers special expertise in serving the smaller (\$100,000 to \$500,000) plans, and in managers located in the Northwest.

It has 40 corporate tax-exempt clients on retainer.

There are four professional consultants. Fees are payable in soft dollars. Craig Hammond is client contact.

Harrell, Cooper & Associates

12377 Merit Drive, Suite 1120, Dallas, Texas 75251; (214) 934-7811

Harrell, Cooper & Associates Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S., international/global, real estate and GIC investing.

The firm also offers a system of risk analysis combined with a statistical smoothing technique that provides a method of determining the investment management organizations that truly add value.

The firm has special expertise in the design, implementation and monitoring

of investment policies.

Of the eight tax-exempt clients on retainer, four are corporate, two are public and two are foundation or endowment funds. In the past 12 months, the firm provided services to two non-retainer tax-exempt clients, one of which was corporate and the other a foundation or endowment fund.

There are two professional consultants. Fees are payable in hard dollars.

Tax-exempt retainer clients include Associated Milk Producers, City of Boulder, Mid-America Dairywomen and Trinity University.

Robert L. Harrell, chairman, is client contact.

B. Hauptman & Associates

58 E. Burlington, Fairfield, Iowa
52556; (515) 472-8581

B. Hauptman & Associates Inc. provides overall development of investment policies/objectives and of appro-

priate asset allocation. Manager selection and performance measurement are offered for U.S., international/global, LBO and futures/options investing.

The firm has special expertise in non-traditional, market neutral investment strategies and hedge funds.

There are 25 tax-exempt clients on retainer and 50 other clients to which services were provided during the past year.

There are two professional consultants.

Fees are payable in hard or soft dollars.

The firm provides the following investment vehicles:

The Jupiter Capital Fund L.P., a multimanager limited partnership; and the GAIN program, which is composed of segregated accounts (minimum \$50,000) managed by investment advisers.

William H. Hurlin, vice president, is client contact.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill.
60015; (708) 295-5000

Hewitt Associates provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S., international/global, real estate, venture capital, futures/options and GIC investing.

The firm has special expertise in asset-liability projections.

Of the 55 tax-exempt clients on retainer, 50 are corporate, one is public, one is union and three are foundation or endowment funds. The firm has 40 long-term, non-retainer tax-exempt clients, of which 35 are corporate and five are foundation or endowment funds. The firm also provided services to 70 other non-retainer tax-exempt clients during the past year, of which 65 were corporate and five were foundation or endowment funds.

There are 15 professional consultants. Fees are payable in hard or soft dollars.

The firm co-sponsors the AHA Investment Program, a series of mutual fund portfolios designed for the investment of retirement and corporate assets of American Hospital Association member hospitals.

Tax-exempt retainer clients include AMP, Adolph Coors, Southland and Upjohn.

Ronald Jones, partner, is client contact.

Higgins Associates

University Place, 124 Mount Auburn
St., Cambridge, Mass. 02138;
(617) 864-8200

Higgins Associates provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection is offered for U.S., international/global and GIC investing. Performance measurement and analysis is offered for U.S. and international/global investing.

The firm also offers management of managers, based on asset allocation, selection and monitoring, individual portfolios and mutual funds. Performance attribution is also provided.

The firm has special expertise in overall plan investment strategy.

Significant changes or developments at the firm in the past year include the addition of two professionals.

Of the 17 tax-exempt clients on retainer, 14 are corporate and three are public. There are 25 long-term, non-retainer tax-exempt clients.

There are four professional consultants. Fees are payable in hard or soft dollars.

The firm provides the following investment vehicles: managed mutual fund packages and graduated risk options for 401(k)s; and risk-adjusted pension portfolios of mutual funds.

Tax-exempt retainer clients include Addison-Wesley Publishing, Connecticut Conference of Municipalities, Tufts Medical and Western Union.

Edward M. Higgins, president, is client contact.

Hopewell Rembert Advisors

7647 Leesburg Pike, Falls Church,
Va. 22043; (703) 821-6655

Hopewell Rembert Advisors Inc. provides overall investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis is offered for U.S. investments.

The firm provides the same services to the investment management industry.

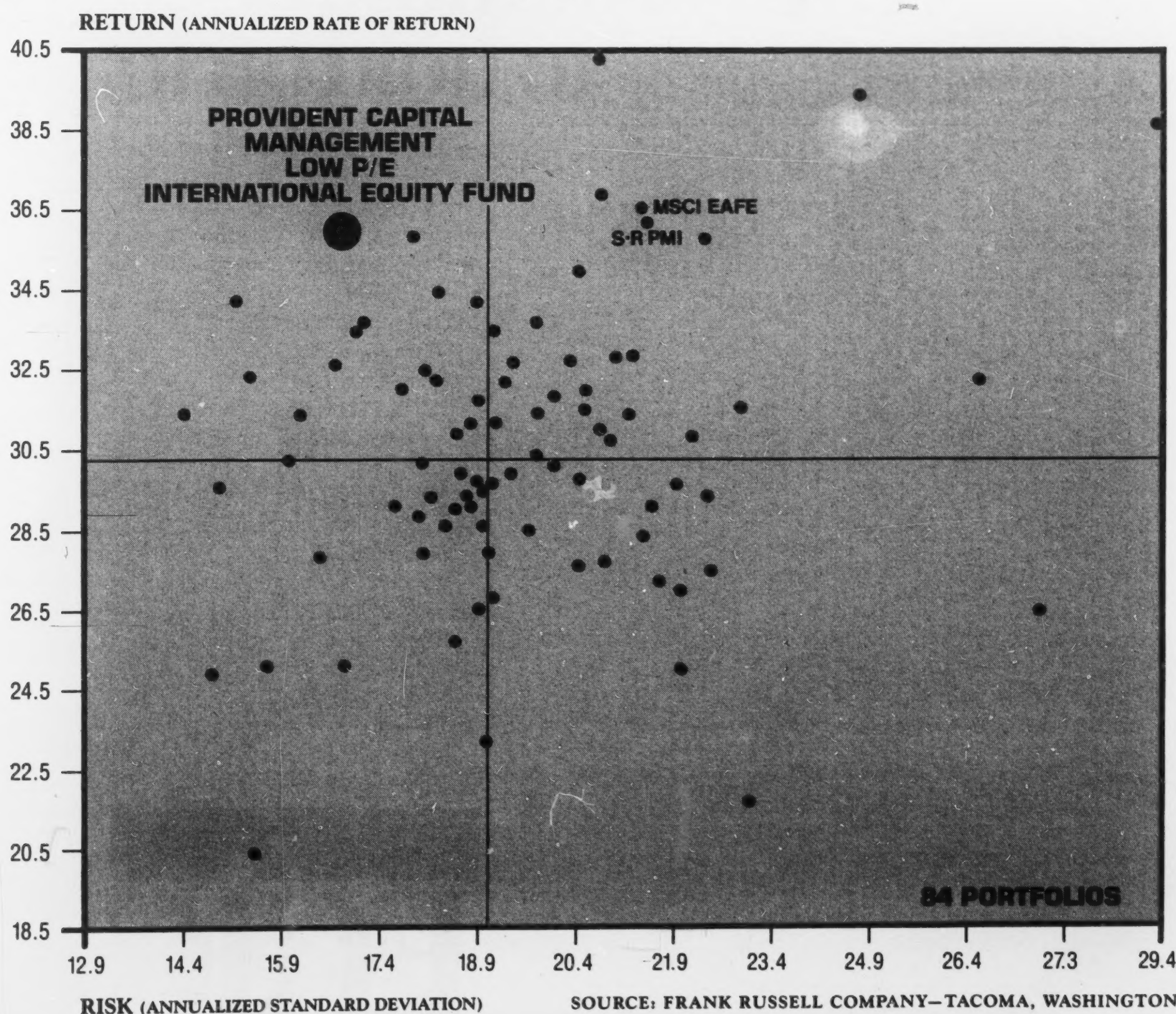
Of the 25 tax-exempt clients on retainer, 24 are corporate and one is a foundation or endowment fund. The firm also provided services to 25 non-retainer tax-exempt clients during the past year.

There are four professional consultants. Fees are payable in hard dollars.

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4 YEARS ENDING JUNE 30, 1989



Provident Capital Management, Inc.

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CONTACT: John Campbell, Director of Marketing, (215) 561-6009

DIRECTORY

Tax-exempt retainer clients include Hoven Corp., Douglas Fraser and McGill Charitable.

H. Lynn Hopewell is client contact.

K.H. Hueler Inc.

7460 Market Place Drive,
Minneapolis, Minn. 55344; (612)
941-5351

K.H. Hueler Inc. provides development of GIC investment policies and objectives, as well as GIC manager selection and performance measurement.

The firm offers special expertise in GICs, including placement, portfolio design, development of credit parameters and investment guidelines, comparative performance analysis of GIC pooled funds and manager evaluation.

Significant changes or developments at the firm in the past year include the development of a comprehensive GIC performance measurement product.

There are 12 corporate tax-exempt clients on retainer. There are six long-term, non-retainer corporate tax-exempt clients.

There are five professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt clients include Dayton Hudson, Super Valu & Shopko Stores, Manitowoc Co. and Sargent & Lundy.

Kelli Hustad Hueler, president, is client contact.

There is one professional consultant. Fees are payable in hard or soft dollars.

Steven N. Johnson, director of marketing, is client contact.

Institutional Fund Consultants Inc.

2423 American Lane, Madison, Wis.
53704; (608) 244-3541

Institutional Fund Consultants Inc. provides overall development of investment policies/objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S., international/global, real estate, futures/options and GIC investing.

The firm also offers master trustee/custodian selection and analysis, special studies and mutual fund selection.

The firm has special expertise in investment manager analysis, investment policy development and asset allocation.

Of the eight tax-exempt clients on retainer, seven are corporate and one is union. There are eight long-term, non-retainer tax-exempt clients, of which six are corporate and two are foundation or endowment funds. The firm also provided services to 11 other non-retainer tax-exempt clients during the past year, of which eight were corporate and three were foundation or endowment funds.

There are two professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include Fred S. James & Co., Paper Converting Machine, Painters, District Council 6 and Reid Memorial Hospital.

Gordon L. King, president, and Kathleen A. Crowley, executive vice president, are client contacts.

PIPER international rankings will be published Dec. 11.

Institutional Property Consultants Inc.

4330 LaJolla Village Drive, Suite 310,
San Diego, Calif. 92122
7 Piedmont Center, Suite 715, Atlanta,
Ga. 30305; (404) 261-8049

Institutional Property Consultants Inc. provides overall development of real estate investment policies/objectives and of appropriate real estate asset allocation. Real estate manager selection and performance measurement and analysis are available.

The firm also offers establishment of transaction review and asset management processes; due diligence on prospective property investments; definition of environmental hazard policy; and design of manager fee schedules.

The firm has special expertise in real estate consulting.

Significant changes or developments at the firm in the past year include the addition of two consultants. Of the 31 tax-exempt clients on re-

tainer, seven are corporate, 19 are public, two are union and three are foundation or endowment funds. The firm has seven long-term, non-retainer tax-exempt clients, of which four are corporate, two are public and one is a foundation or endowment fund. The firm also provided services to six other non-retainer tax-exempt clients during the past year, of which four were corporate and two were public.

There are seven professional consultants. Fees are payable in hard dollars.

Paul H. Saylor and Barbara R. Cambron, principals, are client contacts.

International Investment Group Inc.

17 Madison Ave., Port Chester, N.Y.
10573; (914) 939-1543

International Investment Group, formerly the Option Consulting Group, provides overall development of investment policies/objectives and asset

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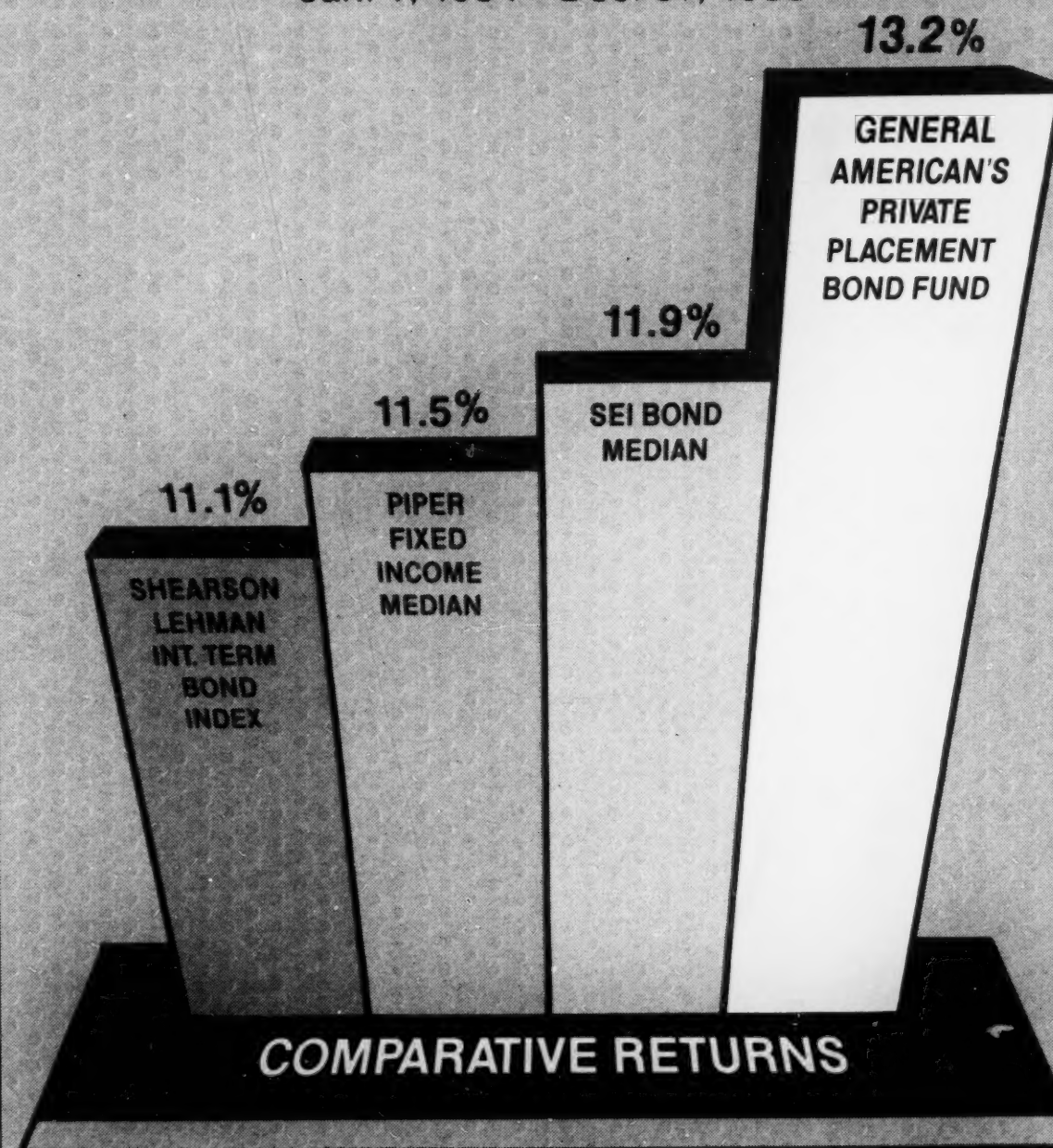
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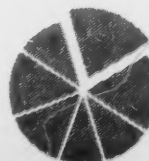
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The Investor's Choice

Ibbotson Associates Inc.

8 S. Michigan Ave., Suite 700,
Chicago, Ill. 60603; (312) 263-3434

Ibbotson Associates Inc. provides overall development of investment policies and objectives and of appropriate asset allocation. Performance analysis is offered for U.S., international/global, real estate, venture capital, LBO, futures/options and GIC investing.

The firm also offers performance attribution services, asset allocation, asset class development and specialized research consulting services.

The firm has special expertise in evaluating investment questions.

Significant changes or developments at the firm in the past year include the division of the firm into a research/consulting division and a software/data products division.

There are five professional consultants. Fees are payable in hard or soft dollars.

Marvin B. Waring, managing director-consulting and research, is client contact.

INDATA

5 High Ridge Park, Stamford, Conn.
06905; (203) 329-6100

INDATA, a service of Gordon, Hasckett & Co., provides performance measurement for U.S., international/global, private placements and futures/options investing. Additional performance analysis is offered for U.S. and international/global investing.

The firm provides Investment Management System, a comprehensive portfolio management, performance measurement and security analysis system, to the investment management industry.

The firm has special expertise in weekly comparative performance measurement, attribution analysis and evaluation of more than 2,500 portfolios.

Significant changes or developments at the firm in the past year include a joint venture with a European firm for development of an international portfolio data base and the development of a high-quality color graphics package for sponsor presentations.

Of the 68 tax-exempt clients on retainer, 30 are corporate, 15 are public, one is union and 22 are foundation or endowment funds.

DIRECTORY

allocation. U.S. and international/global performance measurement and analysis are offered.

The firm also offers stock index optimization, global asset optimization, multicurrency optimization and option hedging strategies. Other computerized consulting systems include in-house quote customization, trading strategy computerization, investment strategy simulation research and an accounting/portfolio monitoring platform.

The firm has special expertise in equity optimization.

Significant changes or developments at the firm in the past year include the addition of five professionals and the firm's shift in its emphasis toward equity optimization from options hedging.

There are five corporate tax-exempt clients on retainer.

There are 10 professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt retainer clients include Balch, Hardy & Scheinman and the International Option Investment Trust.

Kurt Hiebaum, president, is client contact.

InterSec Research Corp.

48 Signal Road, Stamford, Conn.
06902; (203) 348-7101

InterSec Research Corp. provides overall development of international and global investment policies and objectives, as well as asset allocation. It offers manager selection and performance measurement and analysis for international/global investing.

The firm also offers performance attribution analysis and regional investment performance measurement.

The firm provides international investment manager consulting; sponsor consulting; international performance measurement; global pension industry studies; and multi-currency portfolio accounting systems to the investment

management industry.

The firm has special expertise in international and global investment consulting.

Significant changes or developments at the firm in the past year include the expansion of performance measurement universes in Australian dollars, Canadian dollars and Japanese yen-based accounts.

Of the 15 tax-exempt clients on retainer, 10 are corporate, two are public and three are foundations/endowments. There are 14 long-term, non-retainer tax-exempt clients, of which 12 are corporate, one is public and one is a foundation or endowment fund. The firm also provided services to seven other non-retainer tax-exempt clients during the past year, of which four were corporate, two were public and one was a foundation or endowment fund.

There are 11 professional consultants. Fees are payable in hard or soft dollars.

Other financial services provided are strategic business planning for investment managers that are broadening their product or business scope into the international/global arena.

Tax-exempt retainer clients include Arizona Public Service, H.J. Heinz and the Superannuation Fund Investment Trust (Australia).

Duncan Fordyce, senior vice president and director, is client contact.

Investment Management Inc.

2700 E. 51st St., Suite 340, Tulsa,
Okla. 74105; (918) 742-3031

Investment Management Inc., a subsidiary of Rubottom, Dudash and Associates Inc., provides overall development of investment policies/objectives and asset allocation. U.S. manager selection and performance measurement is offered.

The firm has special expertise in asset allocation and fixed-income strategy.

It has 12 corporate tax-exempt clients on retainer.

There are two professional consultants. Fees are payable in hard dollars.

Other financial services provided are investment research, asset/liability management and corporate evaluations.

Donald J. Rubottom, president, is client contact.

Investment Management Evaluation Service

Nashville City Center, P.O. Box 2727,
Nashville, Tenn. 37219; (615)
780-9360

Investment Management Evaluation Service, a division of Equitable Securities Corp., provides overall development of investment policies/objectives and asset allocation. Manager selection and performance measurement are offered for U.S., international/global, venture capital, private placements, futures/options and GIC investments. Additional performance analysis is available for all services listed above except GICs.

The firm also offers analysis of risk-adjusted returns and continuing analysis of hypothetical asset allocation scenarios on a risk-adjusted basis.

The firm has special expertise in asset allocation and strategic planning. Significant changes or developments at the firm in the past year include the addition of two staff members.

Of the 14 tax-exempt clients on retainer, 10 are corporate, two are public and two are foundation or endowment funds. There are 12 long-term, non-retainer tax-exempt clients, 10 of which are corporate and two are foundation or endowment funds.

There are two professional consultants. Fees are payable in hard or soft dollars.

The firm provides the following investment vehicle: the First Quadrant Investors L.P.

Tax-exempt retainer clients include the Tennessee Bone and Joint Clinic, the Webb School Endowment, Metro Nashville Employees and the Longleat Fund.

Ward Cammack, managing director, is client contact.

The Investment Measurement Co.

220 Montgomery St., Suite 425, San
Francisco, Calif. 94104; (415)
254-2102

The Investment Measurement Co. provides overall development of investment policies and objectives and of asset allocation. Manager selection is offered for U.S., real estate, futures/options and GIC investments. The firm offers performance measurement and analysis for the above categories as well as global/international investing.

The firm also offers a manager optimization program.

Performance measurement services are offered to the investment management industry.

The firm has special expertise in consulting for Taft Hartley and public funds, particularly in manager searches and asset allocation.

Significant changes or developments at the firm in the past year include the firm's merger with Dyson & Associates.

Of the 16 clients on retainer, three are corporate, four are public, eight are union and one is a foundation or endowment fund. The firm also provided services to five non-retainer clients during the past year, of which two were public, two were union and one was a foundation or endowment fund.

There are five professional consultants. Fees are payable in hard and soft dollars.

Dwight O. McCan and Lyman Dyson, principals, are client contacts.

Social investing will be highlighted in the Nov. 27 issue of *Pensions & Investment Age*.



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DIRECTORY

K

Ronald A. Karp Associates

47 Maple St., Summit, N.J. 07901;
(201) 522-1414

Ronald A. Karp Associates Inc. provides overall development of investment policies and objectives, and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S. consulting services.

The firm also offers presentation services to the board of trustees or investment committee and staff educational training.

Of the 21 tax-exempt clients on retainer, 12 are corporate, five are public, one is union and three are foundation or endowment funds. The firm also provided services to 25 non-retainer tax-exempt clients during the past year, of which 16 were corporate, five were public, one was union and three were foundation or endowment clients.

There is one professional consultant. Fees are payable in hard or soft dollars.

William T. Kennedy is client contact.

Kidder Peabody Prime Consulting Group

20 Exchange Place, New York, N.Y. 10005; (212) 510-5089

Kidder Peabody Prime Consulting Group, a subsidiary of GE Financial Services, provides overall development of policies and objectives and of asset allocation. Manager selection and performance measurement are available for U.S. investments.

The firm has special expertise in

W.T. Kennedy Inc.

300 W. Peachtree St., Suite 10G,
Atlanta, Ga. 30308; (404) 523-8500

asset allocation studies for midsize funds (\$2 million to \$50 million). Significant changes or developments at the firm in the past year include the introduction of a small account service (NOVA), which offers consulting services to the \$200,000 to \$2 million range of funds for a wrap fee.

Of the 390 tax-exempt clients on retainer, 340 are corporate, 30 are public, 10 are union and 10 are foundation or endowment funds.

There are three professional consultants. Fees are payable in both hard and soft dollars.

Tax-exempt clients include L.L. Bean and Southwire.

Natalia Bukalo and Earle Dodd, vice presidents, and Ellen Phillips are client contacts.

KPMG Peat Marwick

345 Park Ave., New York, N.Y. 10154; (212) 872-5973

KPMG Peat Marwick provides overall development of investment policies and objectives and of asset allocation. Manager selection is offered for U.S., international/global, real estate, venture capital, LBO, futures/options and GIC investments. Performance analysis is offered for all of the above services, and for private placements. Performance measurement is offered for U.S. investments only.

The firm also offers master custodian selection, research projects and surveys.

The firm provides investment performance attestation to the investment

management industry.

The firm has special expertise in multidisciplinary (pension and insurance actuarial, tax and treasury) and international consulting.

Significant changes or developments at the firm in the past year include enhancements to its international consulting services.

There are 12 professional consultants. Fees are payable in hard and soft dollars.

It offers audit and tax services, in addition to its consulting services.

Evelyn Morgner, senior manager, is client contact.

L

Laventhol & Horwath

1845 Walnut St., Philadelphia, Pa. 19103; (215) 299-1700

Laventhol & Horwath provides overall development of real estate investment policies, objectives and asset allocation. Manager selection and performance measurement and analysis is offered for real estate investments.

The firm also offers real estate due diligence, portfolio analysis, appraisal and construction consulting.

The firm provides real estate due diligence services, appraisals and construction consulting to the investment management industry.

The firm has special expertise in real estate consulting.

Pensions & Investment Age welcomes letters.

Letters should include name, address and the company of the writer.

Editors reserve the right to edit any letter.

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DIRECTORY

Of the three tax-exempt clients on retainer, one is corporate and two are public. The firm has 11 long-term, non-retainer tax-exempt clients, of which three are corporate, five are public, two are union and one is a foundation or endowment fund.

Fees are payable in hard dollars.

Other financial services offered include accounting, auditing and tax services.

Tax-exempt clients include Allied-Signal, Minnesota State Board of Investment and Maryland State Retirement.

J. Richard Rosenberg, director-real estate pension advisory services, is client contact.

Legg Mason Wood Walker
111 S. Calvert St., Baltimore, Md.
21202; (301) 539-4692

Legg Mason Wood Walker Inc. — Investment Consulting Group, a subsidiary of Legg Mason Inc., provides

overall development of investment policies and objectives and of appropriate asset allocation. It also provides U.S. manager selection and performance measurement.

Significant changes or developments at the firm in the past year include the development of the consulting unit in January.

There is one professional consultant. Fees are payable in hard or soft dollars.

Brokerage services are offered through an affiliate.

William G. McVay, director of investment management consulting, is client contact.

Lehrer Development and Investments

5555 Del Monte Drive, Suite 802,
Houston, Texas 77056-4105; (713)
552-1442 or (800) 858-1400

Lehrer Development and Investments provides overall development of

investment policies and objectives and of asset allocation. Manager selection is offered for real estate investments; performance measurement is offered for international/global, real estate and private placements; performance analysis is offered for real estate.

The firm also offers a wide variety of real estate feasibility, due diligence, asset performance, market analysis and other real estate-related studies, reports and loan requests.

The firm provides real estate performance and feasibility studies to the investment management industry.

The firm has special expertise in real estate.

There are two tax-exempt clients on retainer; there are 10 long-term, non-retainer tax-exempt clients; and the firm also provided services to 10 non-retainer tax-exempt clients during the past year.

There are three professional consultants. Fees are payable in hard dollars.

Tax-exempt clients include Federal Home Loan Bank of Dallas and the University of Houston.

Kenneth Eugene Lehrer, managing director, is client contact.

Lewis, Bailey Associates

1 Financial Center, Boston, Mass.
02111; (617) 439-3232

Lewis, Bailey Associates Inc. provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement is offered for U.S., international/global, real estate, venture capital, LBO, private placements, futures/options and GIC investing. Performance analysis is offered for all services listed above except GICs.

The firm also offers to its clients extensive investment and financial planning research reports.

The firm has special expertise in financial and investment planning for

large family groups, corporate pension plans and public authorities. Extensive coverage is offered of non-traditional asset classes, such as real estate, venture capital and global investments.

There are 264 tax-exempt clients on retainer.

There are 23 professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include Blue Cross/Blue Shield of Florida, Hewlett-Packard, 3M and the World Bank.

David B. Thurston is client contact.

Loewi Managed Account Services Inc.

111 E. Kilbourn Ave., Milwaukee, Wis.
53202; (414) 347-3360

Loewi Managed Account Services Inc., a subsidiary of Loewi Financial Cos. Ltd., provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement and analysis is offered for U.S. and international/global investing.

The firm has special expertise in risk evaluation.

There are five corporate tax-exempt clients on retainer. The firm has 65 long-term, non-retainer tax-exempt clients, of which 25 are corporate, 35 public and five are foundation or endowment funds. The firm also provided services to 100 other non-retainer tax-exempt clients during the past year, of which 40 were corporate, 50 were public, two were union and eight were foundation or endowments.

There are three professional consultants. Fees are payable in hard and soft dollars.

Other financial services are offered through the firm's affiliate, Blunt Ellis & Loewi Inc., a full service regional brokerage and investment banking firm.

Thomas M. Trebby, vice president, is client contact.

Lowry Consulting Group Inc.

2859 Paces Ferry Road, Suite 1900,
Atlanta, Ga. 30339; (404) 431-1100

Lowry Consulting Group Inc., a subsidiary of Lowry Associates Inc., provides overall development of investment policies and objectives and of asset allocation. Manager selection is provided for U.S., international/global, real estate, venture capital, futures/options and GIC investments. Performance measurement is offered for all of the above categories, as well as LBO and private placement investments. Performance analysis is offered for U.S., international/global, real estate, private placements and futures/options investments.

The firm also offers asset/liability integration; FAS 87 modeling; trustee evaluation; a Canadian data base; retiree medical issue consulting; and the implementation of a management process for long-term cost control.

The firm has special expertise in analytical capabilities and communication skills on pension-related issues. The firm also focuses on the application of computer technology in analysis.

Significant changes or developments at the firm in the past year include the enhancement of analytic capabilities and computer graphics communications technology.

Of the 70 tax-exempt clients on retainer, 60 are corporate, one is union and nine are foundation or endowment funds.

There are 11 professional consultants. Fees are payable in hard dollars.

Tax-exempt clients include Black & Decker, Duke Power, Emerson Electric and CSX.

Michael T. Wilkinson, president and chief executive officer, and Victor A. Bell Jr., managing director-client services, are client contacts.

Profiles of the top pension funds will be published in the Jan. 22 edition of *Pensions & Investment Age*.

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DIRECTORY

M

May Financial Corp.

3302 Southland Center, 400 N. Olive,
Dallas, Texas 75201; (214)
922-0070

May Financial Corp. provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection is offered for U.S., international/global, real estate, venture capital and GIC investing. Performance measurement is offered for all of the above services except venture capital. Performance analysis is offered for U.S., international/global and GIC investing.

The firm also offers extensive cost control procedures.

The firm has special expertise in asset allocation and cost control.

Of the 10 tax-exempt clients on retainer, four are corporate, three are union and three are foundation or endowment funds. The firm has four long-term, non-retainer tax-exempt clients, of which two are union and two are foundation or endowment funds. The firm also provided services to two other non-retainer tax-exempt clients during the past year — one union and one foundation/endowment client.

There are five professional consultants. Fees are payable in hard dollars.

Tax-exempt clients include Northwest Airlines, Ohio Laborers District Council and Contractors of Ohio, Brigham and Womens' Hospital and

James Meketa Associates

1029 Beacon St., Newton Centre,
Mass. 02159; (617) 964-0375

James Meketa Associates Inc. provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection is offered for U.S., international/global, real estate, venture capital and GIC investing. Performance measurement is offered for all of the above services except venture capital. Performance analysis is offered for U.S., international/global and GIC investing.

The firm also offers extensive cost control procedures.

The firm has special expertise in asset allocation and cost control.

Of the 10 tax-exempt clients on retainer, four are corporate, three are union and three are foundation or endowment funds. The firm has four long-term, non-retainer tax-exempt clients, of which two are union and two are foundation or endowment funds. The firm also provided services to two other non-retainer tax-exempt clients during the past year — one union and one foundation/endowment client.

There are five professional consultants. Fees are payable in hard dollars.

Tax-exempt clients include Northwest Airlines, Ohio Laborers District Council and Contractors of Ohio, Brigham and Womens' Hospital and

Massachusetts Laborers.

John A. Denney, vice president, is client contact.

Mellon Bank

1 Mellon Bank Center, Room
151-3315, Pittsburgh, Pa.
15258-0001; (412) 234-9605

Mellon Bank provides overall development of investment policies and objectives and appropriate asset allocation. Manager selection is offered for U.S. investing.

Performance measurement and analysis is offered for U.S. and international/global investing.

The firm also offers on-line data access, customized performance reports and transaction cost measurement.

Performance information and analytics are provided to the investment management industry.

Significant changes or developments at the firm in the past year include the enhancement of on-line capabilities, portfolio modeling tools and a defined contribution product.

Of the 75 tax-exempt clients on retainer, 63 are corporate, four are public, one is union and seven are foundation or endowment funds.

There are five professional consultants.

Fees are payable in hard and soft dollars.

William G. Bensur Jr. is client contact.

Wm. M. Mercer Meidinger Hansen Inc.

1417 Lake-Cook Road, Deerfield, Ill.
60015; (708) 948-7400

Wm. M. Mercer Meidinger Hansen Inc., a subsidiary of Marsh & McLennan Inc. provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement are offered for U.S., international/global, real estate, futures/options and GIC investing. Performance analysis is offered for U.S. and real estate investing.

Performance interpretation and transaction cost analysis also are offered.

The firm has special expertise in asset/liability modeling, performance interpretation and GIC placements.

Significant changes or developments at the firm in the past year include the release of new manager search and performance measurement systems.

Of the 388 tax-exempt clients on retainer, 188 are corporate, 124 are public, 51 are union and 25 are foundation or endowment funds. The firm has 90 long-term, non-retainer tax-exempt clients, of which 43 are corporate, 21 public, 14 union and 12 are foundation or endowment funds. The firm also provided services to 102 other non-retainer tax-exempt clients during the past year, of which 41 were corporate,

30 were public, 19 were union and 12 were foundation or endowment clients.

There are 94 professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include Johnson & Johnson, Arizona State Retirement, Orange County Employees' Retirement and Alaska Teamster Employer Welfare Trust.

Terry Dennison may be contacted for further information.

Merrill Lynch Consulting Services

717 Fifth Ave., New York, N.Y. 10022;
(212) 415-7956

Merrill Lynch Consulting Services, a subsidiary of Merrill Lynch, Pierce, Fenner & Smith Inc., provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection is offered for U.S. and international/global investing. Performance measurement and analysis is available for U.S., international/global, real estate and venture capital investments.

Merrill Lynch has special expertise in performance measurement, policy development, asset allocation and manager identification.

Significant changes or developments at the firm in the past year include the addition of a proxy voting module to its portfolio performance



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measurement service.

The firm has 550 long-term, non-retainer tax-exempt clients, of which 200 are corporate, 100 public, 100 union, 100 foundation or endowment funds and 50 in other categories.

There are 25 full-time professional consultants. Fees are payable in hard and soft dollars.

David T. Ferrier, vice president, is client contact.

Monitoring and Evaluation Services Inc.

3375 Park Ave., Suite 3006,
Wantagh, N.Y. 11793; (516)
781-2000

Monitoring and Evaluation Services Inc. provides overall development of investment policies and objectives and of asset allocation. Manager selection

and performance measurement are offered for U.S., international/global, real estate and GIC investments. Quarterly reports, color graphics and the monitoring of transactions to analyze conformity to asset allocation also are provided.

The firm provides research relating to market trends and events influencing capital markets to the investment management industry.

The firm has special expertise in monitoring transactions on a current basis as to commission amount and execution price as it relates to daily trading ranges.

Significant changes or developments at the firm in the past year include the implementation of a commission recapture program for clients for equity and fixed-income transactions.

Of the 10 tax-exempt clients on retainer three are public and seven are union funds. The firm has five long-term, non-retainer tax-exempt clients, of which one is public and four are union.

There are two professional consultants.

Fees are payable in hard and soft dollars.

Other financial services provided include broker services and clearance and execution of equity and fixed-income transactions.

Tax-exempt clients include Communications Workers of America, New York City Detectives, Service Employees of Upstate New York and the New York City Police, Superior Officers Council.

John T. Renck, president, is client contact.

Morgan Keegan & Co. Inc.

50 Front St. N., Memphis, Tenn.
38103; (901) 524-4100

Morgan Keegan & Co. Inc., a subsidiary of Morgan Keegan Inc., provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement are offered for U.S., international/global, futures/options and GIC investing. Performance analysis is offered for U.S. investments.

The firm also offers pension plan design, installation and administration.

It provides equity and fixed-income research to the investment management industry.

The firm has special expertise in performance measurement and manager search and selection.

Significant changes or developments at the firm in the past year include the introduction of two wrap fee products called the Preferred Managers and Preferred Services programs.

Of the 10 tax-exempt clients on retainer, seven are corporate, one is union and two are foundation or endowment funds. The firm has 163 long-term, non-retainer tax-exempt clients, of which 118 are corporate, five public, 18 union and 22 are foundation or endowment funds. The firm also provided services to 187 other non-retainer tax-exempt clients during the past year, of which 135 were corporate, seven were public, 20 were union and 25 were foundation or endowment clients.

There are six professional consultants. Fees are payable in hard and soft dollars.

The firm offers its own investment vehicle, the Southern Capital Funds.

Other financial services provided include brokerage services, investment banking, and equity and fixed-income research.

J. Blake Taylor, vice president, is client contact.

N

New England Pension Consultants

253 Summer St., Boston, Mass.
02210; (617) 737-1960

New England Pension Consultants provides overall development of investment objectives and policies and of asset allocation. Manager selection and performance measurement are offered for U.S., international/global, real estate, venture capital, LBO, private placements, futures/options and GIC investments. Performance analysis is offered for all of the above services except LBOs.

The firm also assesses the impact of currency and country selection in international investing; stock and sector selection; policy vs. managers; current, prospective and historic risk analyses; and strategic vs. tactical asset allocation.

The firm has special expertise in custodial searches; structured portfolios; FAS 87; derivative instruments and hedging strategies; and South Africa-free investment selection and analysis.

Significant changes or developments at the firm in the past year include the addition of a custodian search capability; enhanced manager search data base; enhanced performance measurement diagnostics; and expanded asset class measurement.

There are 50 tax-exempt clients on retainer.

There are three professional consultants. Fees are payable in hard and soft dollars.

Richard M. Charlton, president, is client contact.

Non Traditional Investments

579 Central Ave., Highland Park, Ill.
60035; (708) 926-1831

Non Traditional Investments, a division of Mesirow Capital Markets, a subsidiary of Mesirow Financial, provides merger arbitrage consulting, assisting in manager evaluation and selection; performance measurement and analysis of managers that invest privately in the stock of companies undergoing a merger, acquisition or buy-out.

It offers a limited traditional manager consulting practice.

The firm provides its Arbitrage Composite Index results to all managers in its data base.

The firm has special expertise in merger arbitrage.

The firm has 12 long-term, non-retainer tax-exempt clients, of which nine are corporate and three, public. The firm also provided services to 20 other

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non-retainer tax-exempt clients during the past year, of which 10 were corporate, five were public, three were union and two were foundation or endowment clients.

There are three professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include the Rapid Transit District of Los Angeles, Santa Fe, Graco and BATUS.

Howard M. Rossman and Jai Luster, senior vice presidents, and Gene Cordon, investment consultant, are client contacts.

The Nottingham Co.

P.O. Box 8315, Rocky Mount, N.C.
27804; (800) 525-3863

The Nottingham Co. provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement is offered for U.S. investments.

The firm provides assistance to investment management firms in the establishment, administration and compliance of no-load mutual funds.

Significant changes or developments at the firm in the past year include the establishment of the Nottingham Investment Trust, the Jamestown Fund and the FBP Contrarian Fund.

The firm has 18 long-term, non-retainer tax-exempt clients.

There is one professional consultant. Fees are payable in hard or soft dollars.

Investment vehicles offered by the firm include the Nottingham Investment Trust, a manager of managers fund.

Frank P. Meadows III is client contact.

**Orben Associates Inc.**

40 Wall St., New York, N.Y. 10005;
(212) 269-9191

Orben Associates Inc. provides overall development of investment policies and objectives and of asset allocation. Performance measurement is offered for U.S., venture capital and private placement investing.

Fees are payable in hard dollars only.

Jack R. Orben, president, is client contact.

**PaineWebber Inc.**

1200 Harbour Blvd., Weehawken,
N.J. 07087; (201) 902-3128

PaineWebber Inc. provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement and analysis are offered for U.S. investments.

The firm has special expertise in asset allocation and performance measurement.

There are eight professional consultants. Fees are payable in soft dollars.

The firm also full brokerage services.

Jack Hanna, national sales manager, is client contact.

Peirce, Park Group

2600 W. Seventh St., Suite A,
Wilmington, Del. 19805; (302)
429-0982

Peirce, Park Group provides overall development of investment policies and objectives and of asset allocation. Manager selection is offered for U.S., international/global and real estate in-

vestments. Performance measurement is offered for all of the above services, as well as for GICs. Performance analysis is provided for U.S. investments.

The firm also offers asset liability simulation analysis and performance measurement services, from summary reviews to full-scale diagnostics, based on individual security holdings.

The firm has special expertise in econometric modeling.

There are two professional consultants. Fees are payable in hard and soft dollars.

Michael W. Shone, president, is client contact.

Pension Consulting Alliance

1435 Gardena Ave., Glendale, Calif.
91204; (818) 240-0372

Pension Consulting Alliance pro-

vides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance analysis are offered for U.S., global/international, real estate, venture capital, LBO, private placements, futures/options and GIC investments. The firm also offers direct investment analysis, valuations, custody and currency analysis.

The firm has special expertise in private placements, real estate and international consulting services.

There are four public tax-exempt clients on retainer. There is one public long-term, non-retainer tax-exempt client. The firm provided services to seven other non-retainer clients during the past year.

Fees are payable in hard dollars.

Tax-exempt clients include Califor-

nia State Teachers, the State of Connecticut, the State of Illinois and the State of Virginia.

Allan Emkin, managing director, is client contact.

Pension Portfolio Advisors

25800 Northwestern Highway, P.O.
Box 2165, Southfield, Mich.
48037-2165; (313) 357-4125

Pension Portfolio Advisors, a subsidiary of Maccabees Life Insurance Co., provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement and analysis are offered for U.S., international/global and GIC investing.

The firm has special expertise in the establishment and implementation of investment strategies, based upon cli-

ent objectives.

Significant changes or developments at the firm in the past year include a doubling of its staff and consulting base.

Of the 20 tax-exempt clients on retainer, 15 are corporate, three are public and two are union. The firm has 306 long-term, non-retainer tax-exempt clients, of which 289 are corporate, 13 are public and four, union.

There are eight professional consultants. Fees are payable in hard and soft dollars.

The firm offers separate account investment vehicles, including SAFTY +, equity income, S&P 500, equity growth and international equity index investments.

Other financial services include third-party administration services and broker/dealer services, through Mac-

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Brinson Holdings, Inc.

has acquired from

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specified assets and liabilities of

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a global investment firm

with \$12.5 billion of institutional assets under management.

*The undersigned assisted in the negotiations leading
to this transaction and arranged acquisition financing,
including investments in Brinson Holdings, Inc. by
Hellman & Friedman Capital Partners and
Hellman & Friedman Capital Partners International (BVI).*

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cabees Equity Sales Co.

Carole Beauchemin, manager-marketing services, is client contact.

Pension Realty Advisors

155 Sansome St., Suite 650, San Francisco, Calif. 94104; (415) 291-9000

Pension Realty Advisors, a subsidiary of Spear Street Advisors, provides overall development of investment policies and objectives and of asset allocation. The firm offers real estate manager selection and performance measurement and analysis.

The firm also offers portfolio management and strategy; property and fund due diligence; and real estate investment plan and objectives.

The firm provides the following to the investment management industry: special investment research; real estate performance measurement services; real estate industry advisory services; independent fiduciary services; and PRA Realty Fund Report.

The firm's special expertise is in its overall real estate industry perspectives, including property investment analysis, property market outlook, real estate management requirement and real estate capital market activity.

Of the four tax-exempt clients on retainer, two are corporate, one is public and one is union. The firm has two corporate long-term, non-retainer tax-exempt clients. The firm also provided

services to 15 non-retainer tax-exempt clients during the past year, of which five were corporate, three were public, six were union and one was a foundation or endowment client.

There are five professional consultants. Fees are payable in hard dollars.

Tax-exempt clients include Carpenters of Western Washington, Bell-South, Texas Teachers and Control Data.

Paul S. Saint-Pierre, president, is client contact.

Performance Analytics Inc.

30 S. Wacker Drive, Suite 1502, Chicago, Ill. 60606; (312) 930-9560

Performance Analytics Inc. provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S., global/international, real estate, futures/options and GIC investments.

The firm also offers assistance to clients in equity style tilting, where dollars are redirected to undervalued styles of management from overvalued styles.

The firm provides analysis of performance of composite results to the investment management industry.

The firm has special expertise in asset allocation, style tilting and in the early detection of manager problem areas.

Significant changes or developments at the firm in the past year include greater emphasis on asset allocation and style tilting.

There are 250 long-term, non-retainers, tax-exempt clients.

There are seven professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include Zenith Electronics, Bell & Howell, Ralston Purina and Peoples Energy.

William G. Lowery, national sales manager, is the client contact.

G.A. Pogue & Associates

60 Patterson Ave., Greenwich, Conn. 06830; (203) 661-4080

G.A. Pogue & Associates provides global/international performance measurement and analysis.

It also provides software and data bases for global investment management. Analytical and computer services are offered for the passive and enhanced passive management of global equity and fixed-income portfolios. Analytical research is offered on a wide range of investment management issues.

The firm has special expertise in the application of modern finance theory and computer technology to global investment management.

Significant changes or developments at the firm in the past year include development of software for

management of global small-cap and low p/e portfolios.

It has one tax-exempt client on retainer.

There are two professional consultants. Fees are payable in hard and soft dollars.

Its tax-exempt client is TIAA-CREF. Gerald A. Pogue, president, is client contact.

Prime, Buchholz & Associates Inc.

1 Harbour Place, Portsmouth, N.H. 03801; (603) 433-1143

Prime, Buchholz & Associates Inc. provides overall development of policies and objectives and of appropriate asset allocation. Manager selection and performance measurement is offered for U.S., global/international and futures/options investments.

The firm also offers transaction cost analysis, analysis of cost effectiveness of custodial relationships and policy analysis of social responsibility investing.

Of the eight tax-exempt clients on retainer, two are corporate and six are foundation or endowment funds.

There are two professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include Boston College; Blue Cross/Blue Shield of Rochester, N.Y.; University of Massachusetts Foundation and Drury Col-

lege.

James R. Buchholz and Jon L. Prime are client contacts.

Q

QUAN-VEST Consultants Inc.

390 Plandome Road, Manhasset, N.Y. 11030; (516) 365-4619

QUAN-VEST Consultants Inc. provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement and analysis are offered for U.S., real estate and GIC investments.

The firm provides computerized analysis of a 1,000 stock universe based on valuation earnings momentum, technical and composite factors to the investment management industry.

The firm has special expertise in tactical asset allocation and long-term asset allocation and providing multi-employer plans the equivalent of an in-house investment supervision department.

Significant changes or developments at the firm in the past year include the development of a new service tracking equity turnover and commission analysis.

Of the 26 tax-exempt clients on retainer, six are corporate, one is public and 19 are union.

There are three professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include National Maritime Pension Trust, Uniformed Fire Officers, Textile Workers and Hotel Trade Council Pension Fund.

Anthony F. Lotruglio is client contact.

R

Reed Pension Consulting

300 E. Carpenter Freeway, Suite 1400, Irving, Texas 75062; (214) 541-1212

Reed Pension Consulting, a subsidiary of Reed Financial Group Inc., provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S. investments.

The firm also offers extensive risk analysis.

The firm has special expertise in servicing the needs of small funds, generally under \$20 million in assets.

Significant changes or developments at the firm in the past year include the addition of a computer programmer/analyst.

Of the 12 tax-exempt clients on retainer, 10 are corporate and two are union.

There are three professional consultants. Fees are payable in hard and soft dollars.

A separate subsidiary of the parent company offers brokerage services to soft-dollar clients.

Tax-exempt clients include Gruy Engineering, Asbestos Workers Local 21, Oriental Trading and El Paso Saw and Belting.

Peter H. Roe, vice president, is client contact.

Richards & Tierney Inc.

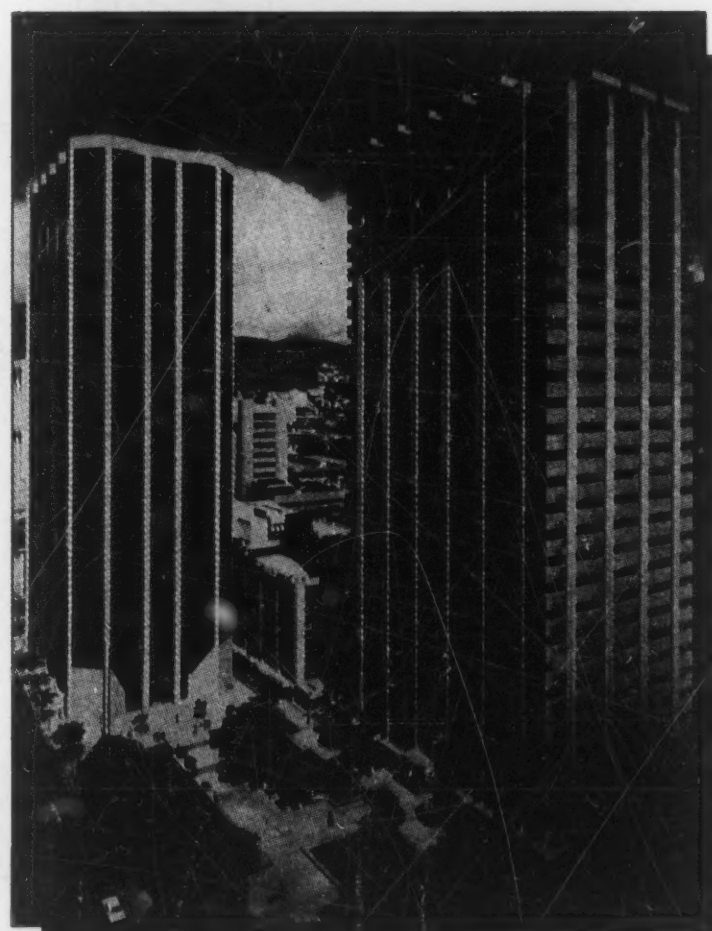
111 W. Jackson Blvd., 14th Floor, Chicago, Ill. 60604; (312) 461-1100

Richards & Tierney Inc., provides overall development of investment policies and objectives and of appropriate asset allocation. Performance measurement is offered for U.S., global/international, real estate, venture capital, LBO, private placement, futures/op-

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tions and GIC investments. Performance analysis is offered for U.S. and global/international investments.

The firm also offers investment manager allocation service; benchmark portfolio design, development and maintenance; portfolio performance attribution; and portfolio risk analysis.

The firm provides the following to the investment management industry: benchmark portfolio design, development and maintenance, and portfolio performance attribution — for both domestic and international equity.

The firm has special expertise in benchmark portfolios, performance attribution, manager allocation and Dynamic Completeness Fund.

Significant changes or developments at the firm in the past year include the capability to design, develop and maintain benchmark portfolios for international equity managers.

Of the 16 tax-exempt clients on retainer, 10 are corporate, two are public, one is union and three are foundation or endowment funds. The firm also provided services to two corporate non-retainer tax-exempt clients during the past year.

There are seven professional consultants. Fees are payable primarily in hard dollars.

The firm offers the Dynamic Completeness Fund as an investment vehicle.

Tax-exempt clients include GE, Owens-Illinois, State of Minnesota and Hughes Aircraft.

Thomas M. Richards, principal, is client contact.

Rogers, Casey & Associates

85 Old Kings Highway North, Darien, Conn. 06820; (203) 656-5900

Rogers, Casey & Associates Inc. provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement is offered for U.S., global/international, real estate, venture capital, LBO, private placements, futures/options and GIC investments.

The firm also offers normal portfolios and style and fulfillment funds.

The firm provides the following to the investment management industry: normal portfolio construction and assistance in formulating business strategies.

The firm has special expertise in providing extensive research of alternative investment sectors, and in creating special benchmark and development portfolios.

Significant changes or developments at the firm in the past year include the firm's name change from Rogers, Casey & Barksdale Inc.

Of the 30 tax-exempt clients on retainer, 27 are corporate, two are public and one is union. The firm has seven long-term, non-retainer tax-exempt clients, of which six are corporate and one is public. The firm also provided services to eight other non-retainer tax-exempt clients during the past year, of which seven were corporate and one was public.

There are 30 professional consultants. Fees are payable in hard and soft dollars.

Investment vehicles offered by the firm include venture capital funds management; segregated programs, including multimanager mutual fund programs; style funds matching portfolio characteristics of a "consensus manager" for a particular style; fulfillment funds passively buying sectors underweighted in the aggregate normal portfolio; and development funds with farm team manager programs.

Other financial services offered are advisory services evaluating investment management firms for potential merger or acquisition.

Tax-exempt clients include Eastman Kodak, New York City Teachers, Allied-Signal and Unisys.

James F. Beasley, chief operating officer, is client contact.

The Brian Rom Corp.

860 Fifth Ave., New York, N.Y. 10021; (212) 724-7535

The Brian Rom Corp. provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection is offered for GIC investments. The firm also offers performance measurement and a data base of South Africa-free equity portfolios.

Asset allocation software, the Asset Allocation Expert, and integrated asset-liability projection software, the Pension Planning Expert, are offered to both sponsors and investment managers through a subsidiary, Sponsor-Software Systems Inc.

The firm has special expertise in development of investment policy and long-term asset allocation policy.

Significant changes or developments at the firm in the past year include the development of the two software systems mentioned above.

There are three professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include Peter J. Schmitt Co., Rich Products, Curtis, Mallet-Prevont and Colt & Morle.

Brian M. Rom, president, is client contact.

Roney Investment Management Services

1 Griswold, Detroit, Mich. 48226; (313) 963-6700

Roney Investment Management Services, a subsidiary of Roney & Co., provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S. and global/international investments.

The firm has special expertise in the development of asset allocation.

Of the 92 tax-exempt clients on retainer, 75 are corporate, 10 are public, five are union and two are foundation or endowment funds.

There are eight professional consultants. Fees are payable in hard and soft dollars.

Other financial services offered include full services brokerage, investment banking, mergers and acquisitions, municipal finance services, industrial development finance, corporate benefit plans, corporate valuations and business consulting.

Tax-exempt clients include City of Ypsilanti, Michigan Police and Fire, City of Big Rapids and Michigan Public Employees.

David A. Russo, director-investment management services, is client contact.

Roulac Real Estate Consulting Group

200 E. Randolph Drive, Chicago, Ill. 60601; (312) 856-8252

Roulac Real Estate Consulting Group, a unit of Deloitte Haskins & Sells, provides manager selection and performance measurement and analysis for real estate investments. The firm also offers policy and procedure development and property analysis.

The firm provides real estate consulting and valuations to the investment management industry.

The firm has special expertise in real estate investment decision-making.

There are two public tax-exempt clients on retainer. The firm has one public long-term, non-retainer tax-exempt client. The firm also provided services to two other public non-retainer tax-exempt clients during the past year.

There are 40 professional consultants. Fees are payable in hard dollars.

Other financial services, including audit, tax and systems consulting, are offered by the parent company.

Tax-exempt clients include California Public Employees and Texas Teachers.

Jake Young, senior manager, is client contact.

Rowland-Carmichael

2813 E. Camelback Road, Suite 400, Phoenix, Ariz. 85016; (602) 955-1540

Rowland-Carmichael provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement are offered for U.S., private placements and GIC investments.

Of the 36 tax-exempt clients on retainer, 30 are corporate, three are union and three are foundation or endowment funds.

There are three professional consultants. Fees are payable in hard and soft dollars.

The firm offers a collective trust. David L. Carmichael, president, is client contact.

Frank Russell Co.

P.O. Box 1616, Tacoma, Wash. 98401; (206) 572-9500

Frank Russell Co. provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement are offered for U.S., global/international, real estate, private placements and GIC investments.

The firm provides the following to the investment management industry: real estate and equity indexes, analytical software and asset/liability modeling.

The firm has special expertise in performance measurement, research, asset allocation and manager research.

Significant changes or developments at the firm in the past year include research into the globalization of assets and development of analytical systems and indexes for non-U.S. investments and capital markets.

There are 40 tax-exempt clients on retainer.

Fees are payable in hard and soft dollars.

Tax-exempt clients include Xerox, AT&T, Chevron and Oregon.

Tony Whitley, director of marketing, is client contact.

Russell-Zisler Inc.

1 Palmer Square, Princeton, N.J. 08542; (609) 924-8558

Russell-Zisler Inc., a subsidiary of Frank Russell Co., provides overall development of real estate investment policies and objectives and appropriate real estate asset allocation. Real estate manager selection and performance measurement and analysis are featured.

The firm also offers real estate independent fiduciary and due diligence; real estate financial consulting; portfolio management; and risk analysis.

The firm has special expertise in real estate finance, portfolio analysis, work-

outs and due diligence.

Significant changes or developments at the firm in the past year include the addition of six professionals.

There are nine professional consultants. Fees are payable in hard and soft dollars.

Randall Zisler, president, is client contact.

S

Segal Advisors Inc.

730 Fifth Ave., New York, N.Y. 10019; (212) 586-5600

Segal Advisors Inc., a subsidiary of Martin E. Segal Co., provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S., global/international, real estate, venture capital, futures/options and GIC investments.

The firm also offers master trust services consulting, brokerage cost analysis and management fee negotiation.

The firm has special expertise in relating investment programs to actuarial characteristics of benefit plans.

Significant changes or developments at the firm in the past year include the devotion of significant resources to nuclear decommissioning trust services and to GIC-related consulting services.

There are 80 tax-exempt clients on retainer. The firm also provided services to 15 non-retainer tax-exempt clients during the past year.

There are eight professional consultants. Fees are payable in hard dollars.

Tax-exempt clients include the American Cancer Society, Suburban Propane Gas, Wyoming Retirement



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Martin Levenson, senior vice president and actuary, and Irving Rotkowitz, senior vice president, are client contacts.

SEI Corp.

680 E. Swedesford Road, Wayne, Pa. 19087; (215) 254-1000

SEI Corp. provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S., global/international, real estate, venture capital, LBO, private placements, futures/options and GIC investments.

The firm also offers asset/liability planning, on-going trading analysis, master trustee evaluation and auditing and special research and development.

The firm provides the following to the

investment management industry: domestic and international performance evaluation and consulting; trading cost analysis and consulting; and on-going marketing and business consulting.

The firm has special expertise in handling fiduciary responsibility for providing full pension administration and investment support; real estate consulting; and asset/liability planning.

Of the 290 tax-exempt clients on retainer, 170 are corporate, 88 are public, 23 are union and nine are foundation or endowment funds. The firm has 1,350 long-term, non-retainer tax-exempt clients, of which 1,000 are corporate, 150 are public, 105 are union and 95, foundation or endowment funds.

There are 170 professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include State of Florida, Halliburton, Massachusetts Bay Transportation and Olin.

Edward D. Loughlin, senior vice president, is client contact.

Shearson Lehman Hutton Consulting Group

141 W. Jackson Blvd., Suite 211A, Chicago, Ill. 60604; (312) 435-3075

Shearson Lehman Hutton Consulting Group, a subsidiary of Shearson Lehman Hutton Inc., provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement are offered for U.S. and global/international investments.

Performance analysis is offered for U.S. investments.

Significant changes or developments at the firm in the past year include the addition of staff and enlargement of the scope of its investment manager evaluation service.

Of the 174 tax-exempt clients on retainer, 31 are corporate, 49 are public, 53 are union and 41 are foundation or endowment funds.

There are 126 professional consultants.

Fees are payable in hard and soft dollars.

The firm can provide full consulting and investment manager services through the Shearson Lehman Hutton Select program.

Trust services are offered through Shearson Lehman Hutton Trust Co.

Tax-exempt clients include Kansas Power & Light/Gas Service, City of Cincinnati, University of Arizona Foundation and the Brotherhood of Maintenance of Way Employees.

David J. Shanahan, first vice president, is client contact.

Shubert Rizer Securities Inc.

604 Courtland St., Suite 200, Orlando, Fla. 32804; (407) 645-3295

Shubert Rizer Securities Inc., a subsidiary of the Capital Gains Financial Group, provides overall development of investment policies and objectives and of appropriate asset allocation.

Manager selection and performance measurement and analysis are offered for U.S., real estate, futures/options and GIC investments.

The firm has special expertise in advising 501(c) organizations and consulting to sports-related organizations, conferences and coaches' retirement plans.

Significant changes or developments at the firm in the past year include a strong increase in the client base.

The firm has 85 long-term, non-retainer tax-exempt clients. Of those 85 tax-exempt clients, 15 are corporate and 70 are public.

There are five professional consultants.

Fees are payable in hard and soft dollars.

The firm offers a proprietary mutual fund timing system and complete discretionary investment management to clients.

Brokerage, proprietary real estate partnerships, limited partnerships and general financial planning are among other financial services offered by the firm.

James F. Parker and William Jakob, senior vice presidents, are client contacts.

Jeffrey Slocum & Associates

7301 Ohms Lane, Suite 310, Minneapolis, Minn. 55435; (612) 893-1955

Jeffrey Slocum & Associates Inc. provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement and analysis are offered for U.S., global/international, real estate, venture capital, LBO, private placements, futures/options and GIC investments.

The firm also designs customized communication programs for defined contribution plan participants.

The firm has special expertise in asset/liability modeling, particularly projecting FASB 87 effects, investment performance attribution and risk identification.

Significant changes or developments at the firm in the past year include the addition of a senior level consultant.

Of the 40 tax-exempt clients on retainer, 16 are corporate, six are public, 10 are union and eight are foundation or endowment funds. The firm also provided services to 11 non-retainer tax-exempt clients during the past year, of which four were corporate, two were public, two were union and three were foundation or endowment clients.

There are four professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include Amherst H. Wilder Foundation, Blue Cross/Blue Shield of Minnesota, Iowa Peace Officers and Super Valu Stores.

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For more information, contact:
J. Thomas Allen, President (412) 762-8894

This announcement appears as a matter of record only

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Master Servicing Contract

To

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Boston, Massachusetts

FP&S

From

Los Angeles County Employees Retirement Association

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DIRECTORY

Jeffrey C. Slocum, president, is client contact.

Smith Barney, Harris Upham
1345 Avenue of the Americas, 23rd
Floor, ACE Dept., New York, N.Y.
10105; (212) 698-6000

Smith Barney, Harris Upham & Co. Inc., a subsidiary of Primerica Corp., provides overall development of investment policies and objectives. U.S. investment manager selection and performance measurement and analysis also are offered.

The firm has special expertise in consulting to the small and midsize market pension and profit-sharing plans with assets between \$500,000 and \$10 million.

Significant changes or developments at the firm in the past year include the startup of the Asset Consulting Evaluator Department.

The firm has 70 long-term, non-retainer tax-exempt clients. The firm has provided services to 1,000 tax-exempt clients during the past year.

Fees are payable in hard and soft dollars.

The parent company is a full-service investment bank and securities firm.

Ruth J. Harris, managing director and national product manager, is client contact.

Southeastern Advisory Services Inc.

10 Piedmont Center, Suite 302,
Atlanta, Ga. 30305; (404) 237-3156

Southeastern Advisory Services Inc. provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement is offered for U.S., global/international, real estate and GIC investments. Performance analysis is offered for U.S. and global/international investments.

The firm also offers monitoring and evaluation of established policies and guidelines, and the design and implementation of plan expense reduction programs.

The firm has special expertise in manager searches and performance evaluation. It offers a proprietary data base of Southeastern-based investment managers. Portfolio risk and diversification is offered through asset allocation analysis.

The firm added 11 tax-exempt clients during the previous 12 months.

There are four professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include Georgia Firemen, Peace Officers of Georgia, Appalachian State University and Krystal Co.

Angela Z. Sessler and Bishop F. Smith Jr., managing principals, are client contacts.

Stratford Advisory Group

120 S. Riverside Plaza, Suite 1456,
Chicago, Ill. 60606; (312) 902-1985

Stratford Advisory Group Inc. provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement are offered for U.S., global/international and real estate investments.

The firm also offers strategic asset allocation and cost containment.

The firm has special expertise in asset allocation and real estate consulting.

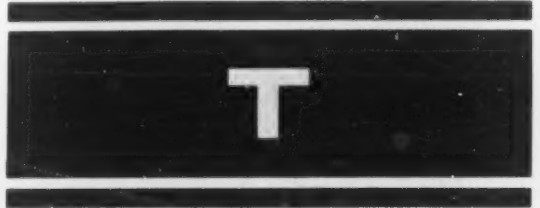
Of the 24 tax-exempt clients on retainer, eight are corporate, one is union and 15 are foundation or endowment funds. The firm has seven long-term, non-retainer tax-exempt clients, of which one is public, one is union and five are foundation or endowment funds. The firm also provided services to one other union non-retainer tax-exempt client during the past year.

There are five professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include the Art Institute of Chicago, Knight-Ridder, Public Service Indiana and the Sheet

Metal Workers' National Pension Fund.

Jeffrey Willott is client contact.



The Townsend Group

1419 W. Ninth St., Cleveland, Ohio
44113; (216) 781-9090

The Townsend Group provides overall development of investment policies and objectives. Manager selection and performance measurement and analysis are offered for real estate and real estate private placements.

The firm also offers property-specific

due diligence, market and lease analyses, research for market trends and economic forecasts. Performance measurement includes comparison to relevant indexes, as well as to like transactions of other firms.

Significant changes or developments at the firm in the past year include the formation of Townsend/Wharton Real Estate Data Systems, with the Wharton School of the University of Pennsylvania. The joint venture's purpose was to improve performance, measurement and tracking of real estate advisors and their individual investments. A research department was formed exclusively for the purpose of analysis of market trends and for special project requests.

Of the 15 tax-exempt clients on retainer, two are corporate, seven are public and six are union.

Fees are payable in hard dollars.

Tax-exempt clients include the City & County of San Francisco, Detroit General Retirement System, Inland Steel and Blue Cross/Blue Shield.

Terrance R. Ahern and Kevin W. Lynch are client contacts.

TPF&C

950 E. Paces Ferry Road, Atlanta,
Ga. 30326-1119; (404) 365-1745

TPF&C, a subsidiary of Towers Perrin, provides overall development of investment policies and objectives and of asset allocation. Manager selection is offered for U.S., global/international, real estate, venture capital, LBO, private placements, futures/options and GIC investments. Performance measurement is offered for U.S. investments, while performance analysis is

offered for U.S., global/international and GIC investments.

The firm also offers investment policies and manager selection for all forms of insurance assets.

The firm has special expertise in asset/liability forecasting, global/international manager searches and GIC/annuity consulting.

Significant changes or developments at the firm in the past year include key additions to senior professional staff and the extension of the TPF&C worldwide asset consulting network to include Canada, the United Kingdom, Australia and Switzerland.

Fees are payable in hard dollars.

Roger C. Bransford, national director-asset consulting, is client contact.

Social investing: Nov. 27.



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Tremont Partners Inc.

39 Pine St., New Canaan, Conn.
06840; (203) 966-4074

Tremont Partners Inc., a subsidiary of Lynch Asset Management Co., provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement and analysis are offered for U.S., global/international, real estate, venture capital, LBO, private placements, futures/options and GIC investments.

The firm provides assistance to the investment managers in the design and implementation of pooled funds.

The firm has special expertise in the design and establishment of 401(k) investment options and in monitoring and selecting investment limited partnerships.

Significant changes or developments at the firm in the past year include the addition of Mary Ann Johnson as president.

There are three professional consultants. Fees are payable in hard and soft dollars.

The firm also specializes in the design, implementation and monitoring of multimanager pooled funds of financial intermediaries, such as banks and insurance companies.

Sandra L. Manzke, chairman, is client contact.



Vantage Consulting Group

P.O. Box 1507, Virginia Beach, Va.
23451; (804) 491-2998

Vantage Consulting Group provides overall development of investment policies and objectives and of asset allocation. Manager selection is offered for U.S., real estate, private placements and futures/options investments. Performance measurement is offered for U.S., private placements and futures/options investments. Performance analysis is offered for U.S. and futures/options investments.

The firm provides contract research, development and diagnostics for investment management firms.

Of the three tax-exempt clients on retainer, one is corporate, one is public and one, union.

There are five professional consultants. Fees are payable in hard dollars.

William P. Deuchler, president, is client contact.

Venture Economics Inc.

75 Second Ave., Suite 700,
Needham, Mass. 02194; (617)
449-2100

Venture Economics Inc. provides overall development of investment policies and objectives. Manager selection and performance measurement and analysis are offered for venture capital, LBO and private placements investments.

The firm also provides investment decision support services; portfolio analysis; performance reports; investment manager directories; monthly journals; annual investor conferences; special seminars; and custom research reports.

The firm has special expertise in its data base of venture capital and venture banking managers. Private placement investment activity is tracked worldwide.

Fees are payable in hard and soft dollars.

Linda Vincent, senior vice president, is client contact.



Washington Hackett, Smith

147 Carondelet St., Suite 1125, New Orleans, La. 70130; (504)
865-1118

Washington Hackett, Smith & Co. provides overall development of investment policies and objectives and of appropriate asset allocation. Manager selection and performance measurement are offered for U.S., global/international, real estate, venture capital, private placements, futures/options and GIC investments. Performance analysis is offered for U.S. investments.

The firm has special expertise in women- and minority-owned investment managers.

There are five public tax-exempt clients on retainer. The firm has four long-term, non-retainer tax-exempt clients, of which three were public and one, union. The firm provided services to one other non-retainer public tax-exempt client during the past year.

There are three professional consultants. Fees are payable in hard or soft dollars.

Tax-exempt clients include Seattle Employees, Philadelphia Sinking Fund Retirement System, Denver Water Department, California Public Employees and City of Houston.

Christian M. Washington and Valerian Butler-Smith, principals, are client contacts.

Wellesley Group Inc.

800 South St., Watermill Center,
Waltham, Mass. 02154; (617)
891-3636

Wellesley Group Inc. provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement and analysis are offered for U.S., global/international, real estate, venture capital and futures/options investments. Master trustee/custodian searches and selection also are offered.

The firm has special expertise in manager peer group analysis; performance attribution studies; asset/liability matching; and long-term asset allocation studies. The firm has expertise in consulting to foundations and endowments.

Significant changes or developments at the firm in the past year include expansion of its manager data base, the introduction of summary reports and improved graphics capabilities.

Of the 35 tax-exempt clients on retainer, nine are corporate, four are public and 22 are foundation or endowment funds. The firm also provided services to one non-retainer foundation or endowment client during the past year.

There are six professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include Baystate Health Systems, Chicago Transit Authority, Washington University and Washington Suburban Sanitary Commission.

Ned A. Joachimi, chairman and chief executive officer, and Pamela A. Joachimi, assistant vice president and associate, are client contacts.

Wilshire Associates

1299 Ocean Ave., Suite 700, Santa Monica, Calif. 90401; (213)
431-3051

Wilshire Associates provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement and analysis are offered for U.S., global/international, real estate, private placements, futures/options and GIC investments.

The firm also offers corporate finance and mutual fund consulting.

The firm has special expertise in asset allocation; manager selection; investment structure; portfolio risk analysis; and cost containment.

Significant changes or developments at the firm in the past year include the promotion of Stephen L. Nesbitt to run the consulting division; the startup by Lawrence E. Davanzo of the international division; the introduction of international equity and fixed-income products were introduced; and the development of a minority- and women-owned investment management firm data base.

Of the 71 tax-exempt clients on retainer, 38 are corporate, 23 are public and 10 are foundation or endowment funds. The firm provided services to three non-retainer tax-exempt clients during the past year, of which two were corporate and one was public.

There are eight professional consultants. Fees are payable in hard and soft dollars.

Other financial services offered include corporate finance consulting. Other divisions of Wilshire provide venture capital and LBO consulting, brokerage, asset management and international consulting.

Tax-exempt clients include California Public Employees, Pennsylvania Public Employees, Westinghouse and Goodyear.

Stephen L. Nesbitt, vice president, is client contact.

The World Markets Co.

375 Park Ave., Suite 3207, New York, N.Y. 10152; (212) 593-4747

The World Markets Co., a subsidiary of Bankers Trust Co., provides performance measurement and risk analysis for international and global investments.

The firm provides performance evaluation to the investment management industry.

The firm has special expertise in attribution analysis for global/international portfolios and the ability to produce analysis in any designated currency against any benchmark.

Significant changes or developments at the firm in the past year include the development of global bond universes and a separate risk product, the WM Spectrum.

Fees are payable in hard and soft dollars.

Other financial services offered include a multicurrency accounting system.

Angela P. Docherty, vice president-sales and marketing manager, is client contact.

Wurts, Johnson & Co.

1111 Third Ave., Suite 1200, Seattle, Wash. 98101; (206) 622-3700

Wurts, Johnson & Co., an affiliate of Howard Johnson & Co., provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement and analysis are offered for U.S., global/international, real estate, venture capital, futures/options and GIC investments.

The firm also offers attribution analysis of equity and fixed-income returns and asset/liability modeling, with a special fund model for endowments and foundations.

The firm has special expertise in asset/liability modeling, 401(k) investment options analysis and manager selection.

Significant changes or developments at the firm in the past year include the addition of two professionals and one staff person.

Of the 75 tax-exempt clients on retainer, 54 are corporate, three are public, 12 are union and six are foundation or endowment funds. The firm also provided services to 10 non-retainer tax-exempt clients during the past year, of which eight were corporate, one was public and one, a foundation or endowment.

There are three professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include Nord-

strom, Nevada Power, Washington Natural Gas and Alaska Airlines.

Brian Cathcart and Eric Nelson are client contacts.

Wyatt Asset Services

303 W. Madison St., Suite 2400,
Chicago, Ill. 60606; (312) 704-2551

Wyatt Asset Services, a subsidiary of The Wyatt Co., provides overall development of investment policies and objectives and of asset allocation. Manager selection and performance measurement and analysis are offered for U.S., global/international, real estate and GIC investments.

The firm also offers attribution analysis for stock and bond portfolios; plan and manager level global performance analysis; and GIC/BIC evaluations and optimizations.

The firm has special expertise in asset/liability modeling and insurance asset consulting.

Significant changes or developments at the firm in the past year include the enhancement of international consulting capability and the development of GIC/BIC analytical software.

There are 11 professional consultants. Fees are payable in hard dollars.

Philip J. Schneider, U.S. practice chairman, is client contact.



Yanni-Bilkey Investment Consulting Co.

2500 Grant Building, Pittsburgh, Pa.
15219; (412) 232-1000

Yanni-Bilkey Investment Consulting Co. provides overall development of investment policies and objectives and

SEI moves toward a presence in defined contribution market

By Barry B. Burr

WAYNE, Pa. — Recognizing the growing importance of defined contribution plans, SEI Inc. acquired National FSI Inc., Dallas, a firm specializing in defined-contribution services, and added a guaranteed investment contract advisory group.

National FSI offers record-keeping, administration, plan design and other services to sponsors of defined contribution plans — all new areas for SEI, said Ed Loughlin, SEI senior vice president.

SEI's new GIC advisory group, based in Boston, is run by William Hannon, who joined SEI from William M. Mercer Meidinger Hansen Inc., for which he was principal in its Boston office, also overseeing GIC advisory services.

"In the defined contribution area, so many of the assets (about 70%) are invested in GICs," or similar instruments, such as or bank investment contracts, he said. So providing GIC and BIC quotes and placement "is a very critical piece of business" in consulting to defined contribution plans.

"We didn't offer any kind of capability in the GIC area before," Mr. Loughlin added.

SEI's GIC group will offer pension sponsors quotes on GICs, BICs and savings and loan association investment contracts. It will negotiate terms of contracts, make placements and assess the quality of the insurance company's ability to guarantee payment. In addition, it will negotiate early withdrawals.

"SEI is trying to move in the

of asset allocation. Manager selection and performance measurement are offered for U.S., global/international, real estate, venture capital, LBO, private placements, futures/options and GIC investments. Performance analysis is offered for U.S. and global/international investments.

The firm also offers proprietary software that permits a detailed attribution analysis. Risk levels on each investment category are calculated, as well as risk-adjusted returns. The firm provides the GRID and CASH statistical data base services. GRID is used for portfolio classification/ranking for performance measurement; CASH is used for evaluation of short-term managed funds. Separate universes on international, real estate and GIC portfolios are available.

The firm has special expertise in midsize and hospital funds.

Significant changes or developments at the firm in the past year include the formation of the firm in January 1989 and the acquisition of the Butcher Consulting Group.

Of the 82 tax-exempt clients on retainer, 23 are corporate, seven are public, five are union, 12 are foundation or endowment funds, 31 are hospitals and four are in other categories. The firm has 23 long-term, non-retainer tax-exempt clients, of which 10 are corporate, two public, two union, four are foundation or endowment funds, four are hospitals and one in other categories. The firm provided services to 18 other non-retainer tax-exempt clients during the past year, of which seven were corporate, two were public, two were union, three were foundation or endowment, three were hospitals and one was in other categories.

There are six professional consultants. Fees are payable in hard and soft dollars.

Tax-exempt clients include City of Pittsburgh, Unihealth America, Duquesne Light and Coopers & Lybrand.

James E. Yanni and Terry Bilkey, principals, are client contacts.

direction of business opportunity," said Dave Eager, principal, Eager & Associates, Louisville, Ky., a firm that specializes in consulting to money managers.

"The movement to defined contribution plans isn't a benefit to consultants," he said. "There is less need for consultants in defined contribution plans."

Consultants have to broaden their services beyond those traditionally offered to defined benefit sponsors, as SEI is doing, to capture more defined contribution business, he added.

"It certainly has a lot of growth potential," Mr. Loughlin added of the defined contribution market.

With the FSI acquisition and the new GIC group, SEI now "has to offer a full complement of defined contribution services," Mr. Loughlin said.

"More and more sponsors are looking for consolidation relationships, even money management," he said.

Unlike with their defined benefit plans, sponsors prefer to consolidate their defined contribution plans with one or a few outside consultant or management firms for record-keeping, administration, performance evaluation and investment management, he said. In money management, SEI offers to pension sponsors through bank trust departments a group of mutual funds, managed by outside investment advisers SEI hires.

FSI had 250 clients, Mr. Loughlin said. SEI paid \$20 million for FSI, which will be absorbed in SEI. Its staff, however, will continue to operate from Dallas.

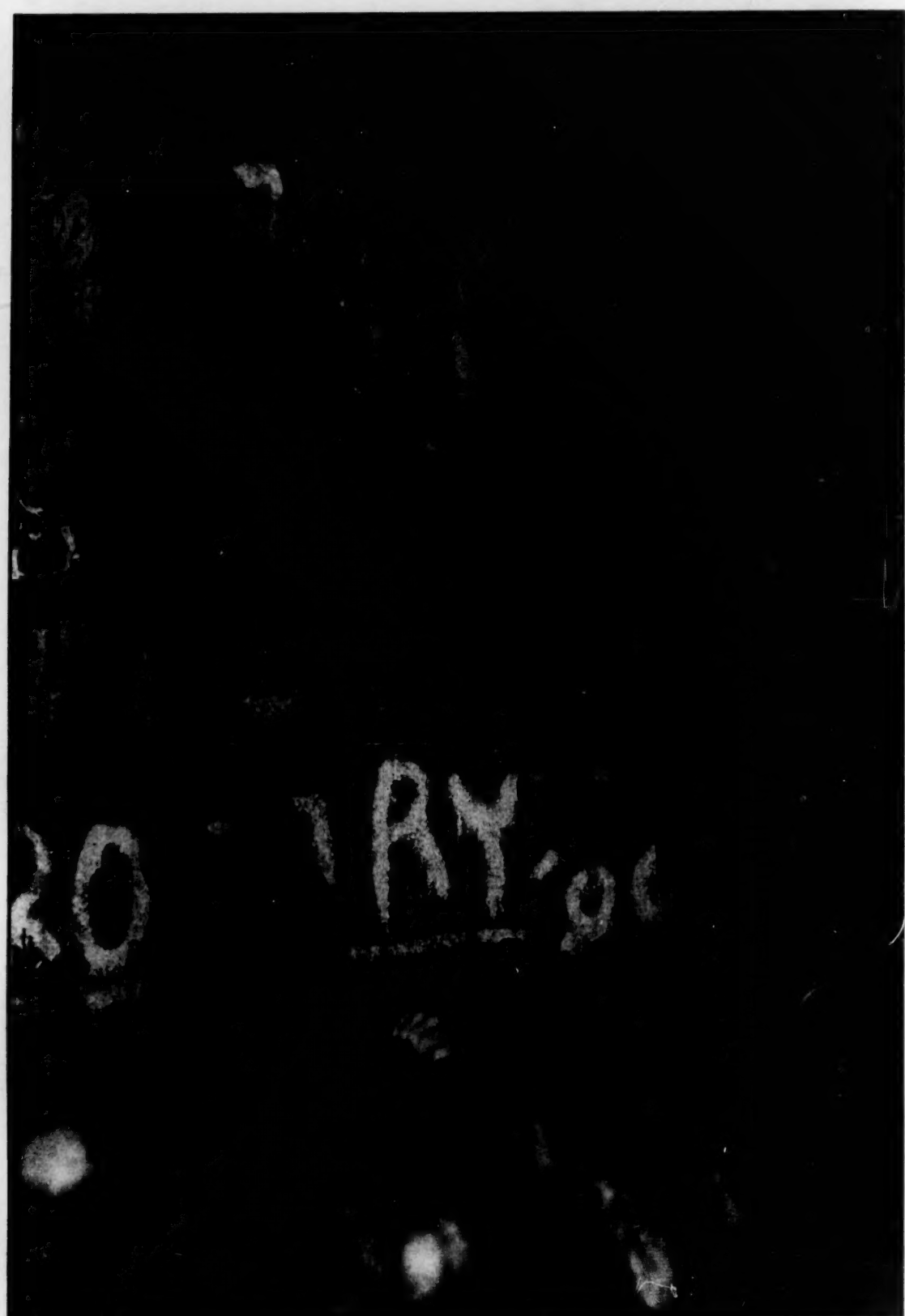
Pensions & Investment Age welcomes letters.

Letters should include name, address and the company of the writer.

Investment Age

THE NEWSPAPER OF CORPORATE AND INSTITUTIONAL INVESTING

\$6 AN ISSUE · \$110 A YEAR



The falling of barriers between East and West Germany could create new opportunities for institutional investors.

Investors cautious on West Germany

By Margaret Price

With the dramatic breaching of the Berlin Wall and the prospects for greater integration between East and West Germany, many institutional investors are boosting their long-term outlooks for West Germany's economy and stock market while remaining cautious for the near term.

At least one U.S. money manager — Morgan Stanley Asset Management — already has plunged into the market, raising its West Germany weighting on international portfolios to 12% from 6%. (The Morgan Stanley Capital

International Europe Australia Far East Index has a 5% weighting in West Germany.)

Barton Biggs, chairman of the New York money management firm, believes investors should to act now, before German stock prices — which recently rebounded from their Oct. 16 plunge — get much higher. "For all practical purposes, Germany will be unified, politically or de facto economically," Mr. Biggs said. And West Germany will gain a huge new market "to sell into or in which to build plants."

Indeed, economic prospects have brightened for West Ger-

Continued on page 46

Advisers asked to wait

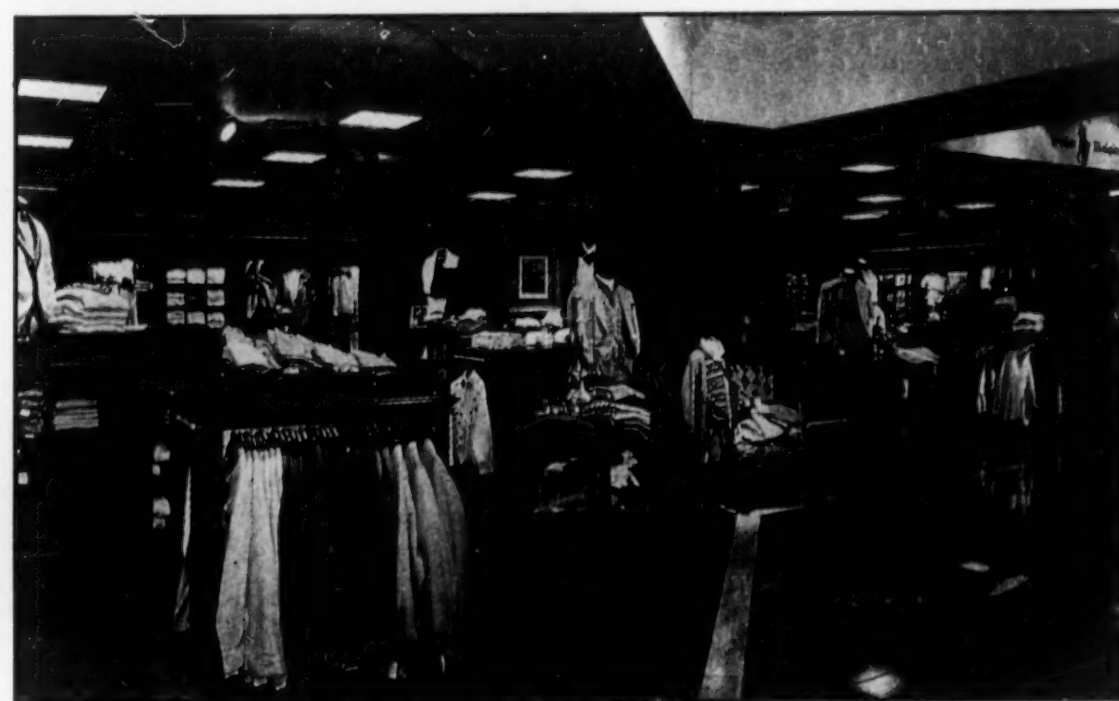
Dayton Hudson sets guidelines on tender offers

By Marcia Parker

MINNEAPOLIS — Dayton Hudson Corp. has asked its pension fund money managers to delay tendering shares in hostile takeovers until the target company's board takes a position.

Although some companies might have informal guidelines that are similar, Dayton Hudson likely is the first company to revise its investment guidelines to incorporate the new thinking.

Two years after fending off a hostile takeover themselves, Chairman Kenneth Macke and the Dayton Hudson board of directors approved carefully worded investment guidelines that say they would "prefer" shares not be tendered until the target company's board



Retailer Dayton Hudson has asked its money managers to wait for the opinion of target company boards in hostile takeovers.

recommends a course of action.

The board of the Minneapolis-based retailer, contending the risks don't justify the rewards, also reaffirmed an existing policy barring money managers from investing company pension assets in leveraged buy-outs or other investments whose primary

purpose is to put companies into play.

The new policy, explained this month in a letter to the 21 money managers of the company's employee benefit assets, seems to reflect Dayton Hudson's interpretation of the position of the Labor and Treasury departments. Early

Continued on page 45

Firms top S&P in long run

P&I Age unveils PIPER+ for manager performance

By Michael Clowes

More than half of the regular equity managers in the PIPER+ universe had returns greater than the Standard & Poor's 500 Stock Index for the five and 10 years ended Sept. 30 but underperformed during shorter periods.

In addition, 61% of the portfolios in the universe had positive risk-adjusted returns, as

measured by alpha, for the five-year period.

For the five years, the median equity return of the PIPER+ universe was 20.6%, compared with 20.3% for the S&P 500 index. For the 10-year period, the median PIPER+ equity return was 18.7% compared with 17.35% for the S&P. All returns for more than one year are compound annualized.

The PIPER+ universe is a

new universe of 318 equity, 204 fixed-income, 60 special equity and 115 tactical asset allocation and balanced investment counseling firm accounts or separately managed accounts of banks and insurance companies compiled for *Pensions & Investment Age* by Rogers, Casey & Associates, Darien, Conn. The original PIPER universe covers only bank and insurance company commingled accounts.

The PIPER+ universe is summarized for the first time in this issue of *P&I Age*, and the full report is now available on a subscription basis. (*Listings of the firms in the top two deciles for regular equity and fixed-income accounts begin on page 18. Top special equity and TAA/balanced accounts will be listed Dec. 11.*)

Continued on page 45

Equity funds (periods ended Sept. 30, 1989)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	24.1 %	63.14%	43.05%	37.45%	27.33%
First quartile	12	35.08	20.44	21.98	21.05
Median	9.96	30.47	17.95	20.50	16.88
Third quartile	7.88	25.69	16.04	18.41	17.2
Lowest return	2.02	8.86	2.83	11.56	4.98
S&P 500	10.73	32.83	18.64	20.3	17.35

INSIDE

Debate continues

Industry stirs over accusations of lax law enforcement

3rd-quarter results

The top stock and fixed-income funds in P&I Age

U.S. concept exported

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Social investing eyed

Investors use assets to promote various causes - 33

LATE NEWS

Employers to retain surpluses

WASHINGTON — Employers would be able to continue to recover surplus assets after terminating overfunded pension plans, while ESOPs would lose a key tax break under budget legislation that was expected to receive final congressional approval last week.

Congressional negotiators agreed to drop a provision — contained in the House's budget bill — that would have banned employers from recovering excess assets after terminating an overfunded plan, while giving the participants the surplus.

Negotiators also agreed on a provision under which lenders generally no longer could exclude from their taxable income 50% of interest earned from loans made to employee stock ownership plans. That provision, however, generally would not be imposed in situations in which the ESOP holds at least 50% of outstanding company stock.

Lomas Capital closing its doors

DALLAS — Lomas Capital Management, a division of Lomas Financial Corp., will be shut down because of the difficulty in marketing the money management firm following the Chapter 11 filing by Lomas Financial.

Clark Manning, chief investment officer at Lomas Capital, said the company will be "phased out by mutual agreement by the end of the year."

"The Chapter 11 filing by Lomas Financial has made it very difficult for us to market our services, and Lomas has decided to go back to its primary line of business" of real estate financing, said Mr. Manning.

Lomas Capital has 12 clients and about \$210 million under management, about \$55 million of that from various Lomas affiliates and most of it tax-exempt.

Funds shift managers, assets

• SAN ANTONIO, Texas — The \$216 million San Antonio Firemen and Policemen's pension fund hired Mitchell Hutchins Institutional Investors, New York, to manage more than \$70 million in indexed assets, and Avatar Associates, New York, to manage 5% of total assets as a tactical asset allocator.

Carlos Resendez, executive director, said Mitchell Hutchins will manage two portfolios for the pension fund, a Standard & Poor's 500 Stock Index portfolio and a Shearson Lehman Hutton Government/Corporate Intermediate Index portfolio. The assets now under management by Mitchell Hutchins will be temporarily "parked" with Mitchell Hutchins, Mr. Resendez said, until sometime next year when the pension fund will begin investing in international, venture capital and real estate.

Mr. Resendez said National Commerce Bank in San Antonio, which was a fixed-income manager and custodian, was dismissed. The new custodian is Northern Trust Co. The \$50 million NCB managed was turned over to Mitchell Hutchins, and the rest came from assets under management by Daniel Breen & Co., Houston, and Austin & Calvert Inc., San Antonio. The pension fund took some money away from those two managers to give to Mitchell Hutchins.

• MILWAUKEE — The board for the \$750 million Milwaukee County Employees' Retirement System approved a transfer of \$25 million from the equity account run by Loomis, Sayles & Co., Milwaukee, to its fixed-income accounts to meet asset class guidelines.

Board Trustee Marvin Seeger said the move was made because the system's equity assets had grown above the 45% exposure target.

Mr. Seeger said the board hadn't yet decided how to allocate the \$25 million among the system's three fixed-income managers: Loomis Sayles; Stein, Roe & Farnham Inc., Chicago; and Dana Investment Advisors, Brookfield, Wis.

• ROCHESTER, N.Y. — The \$110 million Bausch & Lomb Inc. pension fund has hired The Boston Co. to manage a guaranteed investment portfolio for them beginning Jan. 1, according to David Davenport, manager of domestic treasury operations.

Mr. Davenport said Boston Co. will receive monthly contributions, expected to total \$3 million per year.

401(k) dispute sparks suit
Crestar's real estate fund lacks cash to meet withdrawals

By Steve Hemmerick

ALEXANDRIA, Va. — Administrators of a 401(k) savings plan for two national magazines have filed suit against Crestar Bank, Richmond, Va., seeking to free \$2 million in plan assets from a troubled real estate fund.

The suit was filed by the U.S. News & World Report/The Atlantic Monthly profit sharing plan, Washington, in U.S. District Court in Alexandria, Va., and charged Crestar Bank with defrauding the plan.

The suit also asks the court to impose treble damages on Crestar, the amount to be determined by the court.

The magazines' \$20 million profit-sharing plan is among the estimated 130 investors in Crestar Bank Real Estate Fund. Partici-

pants thought they could withdraw the \$2 million in assets in a little more than one month from what the bank had described as a highly liquid real estate fund, according to interviews and court documents.

But the employees said they have been told by bank officials that the real estate assets in the trust are declining in value and the employees probably won't be able to get completely out of the fund for two to five years.

Bank officials, the employees and court papers said, told them withdrawals from all investors in the fund have exceeded deposits for the last three years, and cash isn't available to cash out the magazines' 401(k) plan.

Having defined contribution plan assets locked in a real estate fund is uncommon because there are few real estate options for

such plans, mainly because of the liquidity problem, said Robert Penter, a consultant with Hewitt Associates, Lincolnshire, Ill.

The suit, filed by the law firm of Shaw, Pittman, Potts & Trowbridge, Washington, said at least two other trust participants in the real estate trust also tried unsuccessfully to withdraw their assets from the trust. The two were not identified.

Bank officials denied any wrongdoing and said they would "vigorously" defend against the employee suit.

Bank officials would supply little information about the real estate fund, which they are liquidating. In a prepared statement, they said the decision to liquidate was made in the "best interests" of all participants and is consistent with the requirements of the

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Some investors in GE, whose appliance line is only part of its business, sought a special dividend.

GE buyback lights up investors

By Marcia Parker

FAIRFIELD, Conn. — Institutional investors generally endorse General Electric Co.'s blockbuster \$10 billion stock buyback plan as a share boosting move.

But some would have liked to see a special dividend instead of or in addition to the buyback, and others worried about why GE has no need to invest in its businesses.

GE shocked the investment community Nov. 17 with its announcement of the huge, five-year buyback plan, which is to be fin-

anced mostly with cash and some borrowings.

Overall the announcement was greeted enthusiastically by Wall Street and the market. Standard & Poor's Corp. affirmed the company's ratings, saying the buyback should be accommodated easily by internal cash generation without impairing balance sheet strength. Debt to total capital is anticipated to remain moderate over the course of the share repurchase plan.

GE Chairman John Welch said the company had surveyed all the investment opportunities and

"reached the conclusion that GE stock is the best investment we can make." GE also boosted the quarterly dividend 15% to 47 cents per share, which brings it to \$1.88 a share on an annual basis.

Nearly half of GE's outstanding stock is held by institutions. Among the major holders are the College Retirement Equities Fund, the Teacher Retirement System of Texas, the California Public Employees' Retirement System, the Public Employees Retirement Association of Colorado, the New York State & Local Re-

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Scorecard questionnaires in the mail

Questionnaires are in the mail for *Pensions & Investment Age's* annual Scorecard report on investment managers' new business. In order to be included in the Feb. 5 report, money managers must return the questionnaires by Dec. 31. If you have any questions, please contact Christine Philip, directory coordinator, at (312) 649-6217.

Milwaukee fund under cloud

By Curtis Vosti

MILWAUKEE — The \$750 million Milwaukee County Employees' Retirement System is embroiled in allegations of improper activities by its consultant, Prudential-Bache Securities Inc., and of "an absence of fundamental, ethical principles and fair play" in a contract award.

Although no discussion of the controversy arose at the Nov. 17 County Pension Board meeting, the allegations have prompted both the suspension of a \$100 million stock index fund contract awarded to The Boston Co. and an investigation by the former Wisconsin securities commissioner was hired by board to look into the charges.

Former Commissioner Ulice

Payne Jr. reportedly has said he is concerned that board members didn't know how the county paid Pru-Bache, and that the investigation will broaden to focus on the responsibilities of the County Pension Board's trustees and how it operates compared to industry standards.

Mr. Payne was not available for comment.

The first allegations surfaced with the Oct. 13 resignation of Board Secretary Duamel Vellon, who said he was concerned about questionable investment deals and "conflicts" between consultant Eugene Gilbert, senior vice president of Prudential-Bache in Milwaukee, and the system's money managers. (Mr. Vellon has taken a job as retirement program administrator with the City of Phoenix Employees Retirement

System.)

The allegations about unfair bid and contract award policies came to light Oct. 25, when William L. Randall, executive vice president for First Bank Milwaukee, complained to the board that it changed the bid criteria for custodial and cash management services after it examined all the bids. He also charged the pension board did not inform First Bank, the original low bidder, that amended bids would be allowed.

Pension Board Chairman Arthur Saltzstein was not available for comment, and Mr. Gilbert said he was out of the country when the contract was awarded.

Mr. Vellon's allegations about Mr. Gilbert center around the soft-dollar arrangement through which Pru-Bache was paid by the

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